

Part G – Appendices

Section G4D:- Finance and Contract Procedure Rules

(Financial Systems and Procedures)

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D1 Banking Arrangements

- D1.1 It is the responsibility of the Director of Corporate Services to operate bank accounts as are considered necessary. Opening or closing any bank account shall require the approval of the Director of Corporate Services or their nominated deputy.
- D1.2 The Director of Corporate Services will approve the terms under which banking services, including overdraft facilities, are provided.
- D1.3 All bank accounts must be titled impersonally with the prefix of Cheshire West and Chester Council subject to any exceptions agreed by the Director of Corporate Services.
- D1.4 Subject to any directions given by the Council, all arrangements with the Council's bankers must be made solely through the Director of Corporate Services. No bank accounts may be opened or arrangements made with any other bank except by agreement with the Director of Corporate Services.
- D1.5 Bank transfers, CHAPS payments and faster payments from the General Fund and the Council's other main drawings accounts must be signed by the Director of Corporate Services, or those officers authorised to sign through the agreed Scheme of Financial Delegation.
- D1.6 Transactions on the Council's secondary (i.e. imprest) account must be authorised as per the Scheme of Financial Delegation.
- D1.7 Cheques drawn must bear the mechanically impressed or facsimile signature of the Director of Corporate Services or be signed by the Director of Corporate Services or other officer authorised to sign through the agreed Scheme of Financial Delegation.
- D1.8 No direct debits should be set up unless authorisation has been sought from the Director of Corporate Services

Charging or Trading by the Council

D2 Charging

D2.1 This section D2 applies to services which the Council has a power but not an obligation to provide and for which it is proposed to make a charge to recover all or part of the costs incurred by the Council in providing the services. Directors are responsible for ensuring that legal advice is sought before introducing charging, in relation to legal powers, authorisation, member engagement, consultation and related issues. The Director of Governance should also be consulted before proceeding with a project that involves a new policy for charging for discretionary services or a variation on previous practice.

D3 Trading

D3.1 This section (D3) applies to the provision of services which the Council proposes to provide to third parties in the public sector and on a commercial basis.

D3.2 The Council's approach to trading is one which is based on risk but which also empowers services and encourages external income generation. An external trading mandate should be completed which can be obtained on the Council intranet. Legal advice must be sought in advance in relation to trading with bodies which are not classed as public bodies within the meaning of the Local Authorities (Goods and Services) Act 1970. The table below shows approval limits in respect of the provision of new services which the Council proposes to provide to third parties in the public sector and on a commercial basis:

Approval level	Financial impact
Senior Service Manager	Less than £5,000
Director	£5,001 - £25,000
Deputy Chief Executive	£25,001 - £100,000
Deputy Chief Executive in consultation with the Director of Corporate Services, Director of Governance and the relevant Cabinet Member	£100,001 - £500,000
Cabinet	£500,001 - £1,000,000
Council	Over £1,000,000

D4 Charging and Trading Policy

D4.1 Charges should be reviewed annually to ensure that they are still compliant with all the legal and financial requirements and increased annually where relevant. Charges must be based on the principle of full-cost recovery, unless there is a statutory limit on charges (e.g. planning fees) including all service and corporate overheads. Any variation in annual increases compared to inflation; where Directors wish to charge more or less than the full cost; or where the proposal constitutes a new policy or a variation on previous practice the Director of Corporate Services must be consulted in advance. Any increase above or below inflation be approved in accordance with the table below:

Approval level	Financial impact
Directors	For Increases above or below inflation up to £100,000
Directors in consultation with Director of Corporate Services	For Increases above or below inflation between £100,001 - £250,000
Relevant Cabinet Member	For Increases above or below inflation between £250,001 - £500,000
Cabinet	For Increases above or below inflation between £500,001 - £1,000,000
Council	For Increases above or below inflation Over £1,000,000

D5 Collection of Income

- D5.1 Council officers must comply with arrangements determined by the Director of Corporate Services for the safe and efficient collection and recording of all money due to the Council.
- D5.2 Directors are responsible for ensuring that accounts for income due to the Council, including grant claims, reimbursements and third party contributions, are raised immediately and accurately in a form approved by the Director of Corporate Services. These must include VAT where appropriate.
- D5.3 The cost of collection should be taken into account when raising accounts. Directors must ensure that the method of collection is appropriate to the value of the transaction. Officers must endeavour to collect payment at point of service/sale wherever possible, especially for low value charges (e.g. Under £100).
- D5.4 Directors are responsible for ensuring that all income received is receipted, where required, recorded correctly against the appropriate budgets, and in the case of cash and cheques, banked with the minimum of delay. The frequency of banking should follow the guidelines provided by the Director of Corporate Services to avoid incurring disproportionate banking charges on relatively low value transactions, taking into account local security and insurance cover arrangements.
- D5.5 Where a service wishes to collect income by electronic means (i.e. by debit card, credit card, contactless payments etc) using an external service provider (e.g. Parentpay etc) then prior to putting in place such arrangements the service will need to seek the approval of the Director of Corporate Services in respect of the accounting procedures to be put in place for recording the income. In addition the service will be responsible for ensuring that the external service provider meets the requirements of the Payment Card Industry Data Security Standards (PCI DSS) both when appointed and for all subsequent periods during which their services are being used.
- D5.6 Directors are responsible for monitoring income collection and ensuring appropriate recovery action is taken. A summary of the position on the level of

outstanding debt and collection issues should be included in mid-year and outturn reports. Full provision for income still outstanding six months after the due date should be made in Service accounts. This should not however preclude pursuit of the debt.

D5.7 Credit notes must be authorised by appropriate officers nominated in the local Scheme of Delegation.

D5.8 Any receipts, tickets or other documents used as receipts should be in a format agreed by the Director of Corporate Services. All controlled stationery issued to a Director must be recorded in a register, which is held by a single officer within each Service.

D6 Bad Debts

D6.1 The Council has a Corporate Debt Policy with the guiding principle that customers have a responsibility to pay amounts that have been properly assessed as being due. The Council is committed to using the most appropriate and effective recovery methods available to it and does so in accordance with its approved Debt Recovery Code of Practice.

D6.2 In certain circumstances and for justifiable reasons it will be necessary to classify some debts as irrecoverable and to recommend that they be written off.

D6.3 Directors in consultation with the Director of Corporate Services (or their nominated deputy) and the Director of Governance are authorised to write off any value of debt where there are reasons that prevent the Council from attempting any further recovery action. These reasons are as follows:

- a) The debtor has been declared bankrupt;
- b) The debtor has gone into liquidation;
- c) The debtor has had their debt remitted by the Court;
- d) The debtor has been granted a Debt Relief Order for the debt;
- e) The debtor is deceased and there is evidence of no estate.

D6.4 Debts that are being written off for a reason other than those listed in D6.3, must be approved in accordance with the following limits:

Approval level	Collective Total of Debt

Directors in consultation with Director of Corporate Services (or their nominated deputy as per the scheme of delegation) and the Director of Governance	Up to £5,000
Directors in consultation with Director of Corporate Services, Director of Governance & relevant Cabinet Member	£5,001 to £20,000
Cabinet Member Legal and Finance	£20,001 to £100,000
Cabinet	Over £100,000

D6.5 Directors are responsible for ensuring that an adequate provision for bad debt is made in the Council's accounts at year end and that contributions to this provision are included in budgetary projections and outturn reports.

D7 General Principles – Ordering and paying for work, goods and services

D7.1 Directors are responsible for ensuring all required processes are followed to enable the prompt and accurate payment for goods and services provided and for the analysis of expenditure.

D7.2 Except for purchases by purchase card, or where an exception has been agreed in accordance with D7.9, all purchases must be supported by an official requisition and purchase order unless previously agreed with the Director of Corporate Services. No payment will be made unless there is an official purchase order. All purchases, including by purchase card, must have regard to the Finance and Contract Procedure Rules.

D7.3 All requisition and purchase orders must be authorised in accordance with the relevant Internal Service Scheme of Financial Delegation. All requisition and purchase orders must be raised within and relate to the current financial year, with the exception of the dual year posting period. Any completed POs relating to previous financial years must be finally closed and in the case of call off orders, replacement POs arranged. Requisitions and POs must not cross financial years. Where a requisition for the purchase of goods or

services exceeds £25,000 in value Finance and Contract Procedure rules E33 – E.72 apply.

- D7.4 All official purchase orders must include, as a minimum, the order number, the price agreed with the supplier, description of the goods or services to be provided, the delivery address, the address where invoices must be received and the terms and conditions for the goods and services to be provided.
- D7.5 Directors must ensure that there is adequate separation of duties in the raising and authorisation of requisitions, authorising of purchase orders, receipt of goods and authorisation of payments to creditors.
- D7.6 Directors must ensure robust processes to continually maintain service HR records and Schemes of Delegation so that electronic workflows associated with core financial systems are not compromised.
- D7.7 All purchasing activity must be carried out in accordance with the Council's Procurement Strategy and advice issued about efficient and effective use of the Council's core financial and e-procurement systems and processes. Such processes will include the deployment of Visa purchase cards. Invoices received for payment must comply with the Council's best practice processes.
- D7.8 Approval of the Director of Commercial Management & Place Commissioning must be sought in advance of entering into any supply agreement with a commercial creditor who has not been set up on the Council's core financial system.
- D7.9 Directors must consult the procurement team on appropriate arrangements for purchases of goods and services which cannot be accommodated within standard ordering and payment processes.

D8 Payment of Invoices

- D8.1 All invoices must be sent directly by the creditor to the address stated on the official purchase order to enable prompt payment. Unless there are

exceptional circumstances, all creditor invoices should be sent to the central payments team.

D8.2 All invoices, as a minimum, must include the official purchase order number, the name and address of the Council (as customer), an invoice number, the description of the goods or services provided, the quantity delivered, the delivery address, the date of the invoices and/ or date of delivery of the goods or services, the address and VAT registration number of the supplier and the net price, the amount of VAT charged at the prevailing rate(s) and the total amount charged. Any discount for prompt payment must also be shown.

D8.3 Invoices received without a valid purchase order number will be returned to the creditor as unauthorised for payment.

D8.4 The Council's standard payment terms are 30 days from receipt of a correct invoice by BACS (Bankers Automated Clearing System). Alternative terms may not be negotiated or agreed with suppliers without the explicit approval of the Director of Corporate Services. Directors are responsible for notifying suppliers of these terms and for ensuring that they are observed by all those involved in the purchasing and payment processing.

D8.5 Payment will only be made for goods and services which have been formally receipted in accordance with receipting procedures set out by the Director of Corporate Services.

D9 Non-invoice payments

D9.1 Where Directors wish to initiate a payment to a third party without a supporting invoice, an official request for payment must be submitted to the Director of Corporate Services. Non-invoice payments should be requested on an exceptional basis only. Where payments of this type need to be made on a regular basis Directors must consider, in conjunction with their departmental Finance Manager, other alternative options which may be more appropriate.

D9.2 Any such requests must be authorised by an officer designated with an appropriate approval limit in the relevant Internal Service Scheme of Financial Delegation. They are responsible for ensuring that all payment details provided are accurate and that supporting records and documentation are available to substantiate the payment, including an official VAT receipt to allow for the reclaim of any VAT element. A proforma invoice, a request for payment, a supplier statement and a credit card voucher are NOT official VAT receipts.

D9.3 Appropriately authorised requests for payment will be processed by the Director of Corporate Services and paid by BACS. Cheques will only be used in exceptional cases and by prior agreement.

D9.4 Payments or reimbursements in respect of salaries and wages, travelling expenses or other employment allowances must be processed through the Payroll system and not treated as a non-invoice payment.

D10 Purchase Cards

D10.1 The Council operates a scheme which offers Officers the flexibility to procure goods and services with a Purchase Card.

D10.2 Directors are responsible for the appropriate deployment and management of purchase cards within their service. Further guidance on the use of purchase cards is available on the Council's intranet site.

D10.3 The Purchase Card Procedure sets out the terms, processes and procedures under which the scheme operates. It is important that when the card is used, it is used to purchase appropriate items only. The card should be used for low value, low risk purchases and not be used to bypass Corporate Contracts.

D10.4 Council Purchase Card spend is under constant scrutiny down to line level detail. Purchase cards should be used for official purposes only. All spend will be reviewed internally on a regular basis with a report issued to Corporate Leadership Team every 6 months.

D11 Local Bank and Imprest Accounts

D11.1 As part of the Council's business change and modernisation agenda it is looking at delivering the most economic and effective processes and procedures.

D11.2 Local Bank and Imprest accounts will be phased out as part of this efficiency review, with more cost effective methods of payment enabled and introduced.

D11.3 Local bank and imprest accounts may only be used as alternatives to purchase orders and Visa purchase cards by prior consent and in accordance with specific guidance and instructions issued by the Director of Corporate Services.

D11.4 Directors are responsible for ensuring that where local arrangements are in place:

- (a) Local schemes of delegation set out clearly the responsibilities and approval limits of individual officers in respect of these arrangements; and that these are reviewed and updated regularly;
- (b) They are operated in accordance with guidance issued and that appropriate management supervision and compliance monitoring is undertaken;
- (c) Adequate records are maintained to allow for the verification and reconciliation of all payments made to the Council's general ledger and bank accounts, and to allow for the proper treatment of VAT;
- (d) Arrangements are being operated for legitimate Council business only;
- (e) Ensure reconciliation on a monthly basis to the Council's General Ledger and highlight any issues to Departmental Finance Manager.

D11.5 Local arrangements may not be used in any circumstances to circumvent either the Council's Corporate Procurement Strategy or agreed approval and authorisation procedures, nor must they be used for any payments in respect of salaries and wages, travelling or other employment expenses, or

payments for work carried out under the Construction Industry Tax Deduction Scheme.

D11.6 Claims for reimbursement of expenses paid using the imprest account should be submitted to payments section on a monthly basis.

D11.7 The only monies that are to be credited to the imprest accounts are the reimbursements made by the Council's payments section using either the BACS system or the faster payments system.

D11.8 Under no circumstances should a direct debit inwards (i.e. income) or a direct debit outwards (i.e. payment) be set up on an imprest account.

D11.9 Under no circumstances should the balance on an imprest account be allowed to go overdrawn at the bank.

D12 Payment to Members

D12.1 The Director of Corporate Services is responsible for paying all allowances to Members.

D12.2 The Director of Corporate Services will make payments to any Members entitled to claim allowances on receipt of the proper form, completed and certified in accordance with the Council's scheme for allowances.

D13 Taxation

D13.1 It is the responsibility of the Director of Corporate Services to:-

- a) complete all Inland Revenue returns regarding PAYE;
- b) submit the Council's VAT return to HMRC each month and complete a monthly return of VAT inputs and outputs to HM Revenue and Customs;
- c) provide details to HM Revenue and Customs regarding the Construction Industry Tax Deduction Scheme;

- d) maintain up-to-date guidance for Council employees on taxation issues.

D13.2 It is the responsibility of Directors to:-

- a) ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HM Revenue and Customs regulations;
- b) ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements;
- c) ensure that all persons employed by the Council are added to the Council's payroll and tax deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised staff agency;
- d) follow the guidance on taxation issued by the Director of Corporate Services.

D14 Trading Accounts and Business Units

D14.1 This section is in addition to the procedures set out in G4G Collaborative Working and ASDVs.

D14.2 Separate Trading Accounts are required when services are provided to either internal or external clients, on a basis other than a straightforward recharge of full cost. These accounts are also required where there is a minimum turnover of £1,000,000.

D14.3 It is the responsibility of the Director of Corporate Services to advise on the establishment and operation of trading accounts and business units.

D14.4 It is the responsibility of Directors to:

- a) Consult with the Director of Corporate Services and the Director of Governance where a business unit wishes to enter into a contract with

a third party where the contract expiry date exceeds the remaining life of their main contract with the Council. In general, such contracts should not be entered into unless they can be terminated within the main contract period without penalty;

- b) observe all statutory requirements in relation to business units, including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure, including overhead costs, is charged, and to produce an annual report in support of the final accounts;
- c) ensure that the same accounting principles are applied in relation to trading accounts as for other services or business units;
- d) ensure that each business unit prepares an annual business plan.