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| Report to: | EXECUTIVE CABINET |
| Date: | 30 August 2017 |
| Executive Member/Reporting Officer: | Cllr Jim Fitzpatrick – First Deputy (Performance and Finance) Ian Duncan – Assistant Director (Finance) |
| Subject: | TAMESIDE WORKS FIRST – PAYMENT TO SUPPLIERS |
| Report Summary: | This report seeks agreement to standard payment terms to suppliers with an earlier payment to SME's within the borough. It also provides information on a .provides an update on an early payment initiative for all suppliers. |
| Recommendations: | Cabinet is asked to: <ul style="list-style-type: none"> (i) Confirm the continued application of the Local SME – 10 day payment term from the date of receipt of the invoice; (ii) Agree a standard term of 30 days from receipt of the invoice for all other suppliers; (iii) Note the progress on implementing the new payment arrangements for Premier Supply Service; (iv) To RECOMMEND to COUNCIL the addition to section 9.5 to the Council's Financial Regulations and Procedures: <ul style="list-style-type: none"> 2. <i>The S151 Officer may approve circumstances in which automatic goods receipting and payment can take place without the need for authorisation from an officer of the Senior Management Team.</i> |
| Links to Community Strategy: | The Early Payment programme will have an indirect link to the Community Strategy objectives by supporting the objective of a prosperous borough through prompt payment to the Council's suppliers. |
| Policy Implications : | This is the subject of the report. |
| Financial Implications : (Authorised by the Section 151 Officer) | There are no direct financial implications arising as a result of this report. |
| Legal Implications : (Authorised by the Borough Solicitor) | It is important that the council manages the payment of invoices effectively and efficiently – firstly to ensure that the Council is a good payer to suppliers and supports the economy and secondly to ensure that it is neither sued nor liable to pay interest on late bills. This reports sets out an expedient approach to do so. |
| Risk Management : | The refreshed payment arrangements will require all officers involved in the payment process to adhere to the new processes. To manage this all directorate management teams will be visited to explain the new processes and identify any concerns that may exist |

Access to Information :

The background papers relating to this report can be inspected by contacting the report writer Sharon Powell:



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1. BACKGROUND

- 1.1 Following the banking crisis which started in 2008 and the recession, which followed the Council introduced *Tameside Works First*, which contained a number of initiatives including the prompt payment of local suppliers i.e. within 10 days. Over the passage of time since its launch a variety of payment arrangements have crept into the Council's payment arrangements. In addition the national economy has improved although still showing some signs of fragility.
- 1.2 Whilst the recession in the national economy has been eliminated the public sector continues to face resource constraints. This is none more so than in local government as we face ahead of us our 8th and 9th year of grants cuts.
- 1.3 It is therefore opportune to review our current payment arrangements and at the same time assess whether any efficiencies can be introduced to assist with our austerity drive.
- 1.4 To put into context, the Council pays approximately 47,000 invoices per annum.

2. PROPOSAL

- 2.1 The Public Contracts Regulations 2015 were introduced in February 2015 in which regulation 113 requires that contracting authorities must have regard to this guidance in relation to payment of valid and undisputed invoices within 30 days. Members are therefore asked to agree that the standard term for payment to suppliers is 30 days from the receipt of the invoice, except in the circumstances set out in the proceeding paragraphs.
- 2.2 The Council wishes to continue its support for local businesses and therefore will continue to pay SME's within 10 days (from the date the invoice is received) that meet the definition below:
 - a local supplier is defined as someone who holds a postcode within the Tameside boundaries (this to be determined for companies as the registered office post code address and not a local branch/office within the borough)
 - an SME is as defined by the European Commission as a business or company that has:-
 - Micro business – employ fewer than 10 employees (with an annual turnover under £2 million);
 - Small business – employ fewer than 50 employees (with an annual turnover under £10 million);
 - Medium Business – employ fewer than 250 employees (with an annual turnover under £50 million).
- 2.3 In January 2017, an Executive Decision by the First Deputy was made to introduce an early payment arrangement with Oxygen Finance, subject to the formulation of a satisfactory business case. Under this initiative a supplier can join the Council's Premier Supply Service which will mean it will receive payment earlier than would otherwise be the case, in exchange for a rebate on the payment. This is a voluntary arrangement; suppliers can choose not to join. The rebate is shared between Oxygen Finance and the Council.
- 2.4 There can be situations that arise whereby an urgent payment or a variation to standard terms and conditions is needed. It is recommendation these decisions are delegated to the Council's S151 Officer or the Director of Pensions and Governance (Monitoring Officer) – the statutory Monitoring Officers.

- 2.5 In order to operate the Premier Supply Service there will need to be changes and improvements in the processes for paying suppliers. One of these is to permit automatic goods receipting and automatic matching of invoices in certain circumstances to speed up the process; this will require an addition to the Council's Financial Regulations and Procedures (section 9.5). It is recommended that the Council agrees the following addition:

Section 9.5:

2. The S151 Officer may approve circumstances in which automatic goods receipting and payment can take place without the need for authorisation from an officer of the Senior Management Team.

3. RECOMMENDATIONS

- 3.1 As set out on the front of the report