

Newcastle City Council
Supplier Payment Terms Policy

September 2018



Supplier Payment Terms Policy

This policy sets out our approach to managing payments to our suppliers for goods and services and was approved by delegated officer decision in September 2018.

1. Overall payment terms policy

- i. The council's standard payment terms for all suppliers will be 30 days.
- ii. No decisions to amend payment terms on the suppliers file will be permitted unless they follow the process set out in sections 2 & 3 below.
- iii. Officers responsible for contract negotiations must seek approval from the Assistant Director Financial Services before agreeing any exceptions to the standard payment terms.

2. Exclusions from the payment terms policy

- i. Where there is a **statutory duty** to make payment on a timelier basis – for example, payments to Care First recipients in accordance with the Care Act 2014.
- ii. Where there is an **agreement to pay on a set date** – for example, payment of childcare vouchers to nurseries or HMRC payments. However, this should be processed as an override on the date of payment rather than a general change of terms for this supplier, the nursery or HMRC in this example.

3. Exceptions to 30 day payment terms – small / medium enterprises

- i. Small / medium enterprises may apply to be paid within 10 days by sending evidence of the details set out in Appendix 2 to SMEpaymentterms@newcastle.gov.uk.
- ii. The evidence provided will be reviewed by officers within Financial Services, and applicants will be notified by email of the outcome of this review within 10 days.
- iii. Should individual suppliers wish to seek a review of the council's decision they should notify the Assistant Director Financial Service via the above email address within 10 days.
- iv. Eligibility for 10 day payment terms will need to be renewed every two years otherwise the supplier will revert to the council's standard 30 day payment terms.
- v. It should be noted that whilst the council is committed to paying small / medium enterprises within 10 days this should not be regarded as a legal obligation.

4. Exceptions to 30 day payment terms – other

Other exceptions include:

- i. Where there is an **existing contract** stating alternative payment terms to 30 days – this will need to be reviewed in line with the process set out below when the contract is due for renewal.
- ii. **New contracts** proposing non-standard payment terms must be approved by the Assistant Director Financial Services using the pro-forma set out in Appendix 3 prior to agreeing non-standard payment terms with an external supplier. When seeking approval, officers must be clear about the financial benefits to be achieved through agreeing non-standard payment terms.

A register of non-standard payment terms will be maintained by Financial Services for audit

purposes (Appendix 4).

4. Monitoring Arrangements

- i. Officers in Financial Services will review non-standard payment terms per the supplier file against the register of exceptions (see Appendix 4) on a quarterly basis during the year.
- ii. Internal Audit will undertake a review of compliance with this policy as part of their regular reviews of financial systems.

Appendix 2 - Small / Medium Enterprise Qualifying Criteria

To be confirmed as a Small / Medium Enterprise, evidence must be provided to satisfy the the below criteria as set out in Part 15 of the Companies Act 2006:

- Up to a maximum of 50 employees, and
- Annual turnover less than £10.2 million or
- Net assets less than £5.1 million

Appendix 3 – Proforma for Agreeing Exceptions to Standard Payment Terms

Requesting officer:	
Extension number:	
Directorate / division:	
Date of request:	
Contract reference:	
Duration of contract:	
Requested amended payment terms:	
Business case supporting this request: [For example, the early payment discount of 2% more than off-sets the additional interest cost of paying invoices within 15 days rather than 30 days.]	
Provide details of any processing implications of the amended terms: [For example, increase/decrease in invoice volumes etc.]	
Approved by ADFS:	
Date of approval:	

All requests to be forwarded to Assistant Director Financial Services (mark.nicholson@newcastle.gov.uk) and (smepaymentterms@newcastle.gov.uk) for agreement prior to awarding contract

Appendix 4 – Register of Exceptions to Standard Payment Terms

Date	Contract Reference	Reason/Justification for Requested Terms	Requested Terms	Duration of Contract	Procurement Officer	Agreed Action