

	<b>Finance Procedure</b>	FP2.11
	<b>2.11 PURCHASING &amp; ACCOUNTS PAYABLE PROCEDURE – CENTRAL OFFICE</b>	Version 004
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## 1.0 INTRODUCTION

This procedure sets out the finance processes and responsibilities for administering and managing purchasing and accounts payable at Nugent Care's central office.

## 2.0 RESPONSIBILITIES

The financial controller has overall responsibility for ensuring that the financial administration of purchasing and accounts payable is properly managed in central office and that this procedure is followed.

The assistant financial controller is responsible for the day to day financial administration of purchasing and accounts payable and is to ensure that this procedure is followed and any discrepancies or deviations are brought to the attention of the financial controller.

## 3.0 REFERENCES

- Petty Cash Procedure
- Company Credit Card Procedure
- Capital Expenditure Procedure
- Lease Expenditure Procedure

## 4.0 PROCEDURE

### 4.1 Overview

Nugent Care operates a number of methods for the purchasing of and payment for goods and services as follows:

- Credit accounts with suppliers payable by BACS, cheque or direct debit.
- Sundry adhoc purchases payable by cheque
- Sundry purchases through Petty Cash
- Company Credit Card purchases

Nugent Care's preferred method is through credit accounts with suppliers payable by BACS. This method maximises the organisation's ability to manage its cashflow and minimises banking costs. It is also the most efficient method from a human resource perspective.

The 3 other methods listed above are available for use when the preferred method is not available.

Nugent Care has prescribed delegated authority limits for purchasing goods and services as detailed in Appendix 1.

## **4.2 Credit Accounts With Suppliers**

### **4.2.1 Set Up of New Suppliers**

Nugent Care's purchasing manager vets all new suppliers and new supplier accounts can only be set up on Open Accounts by the central finance team. The following minimum information is required by central finance to set up a new supplier on Open Accounts:

- Supplier Name
- Supplier Address
- Telephone Number
- Fax Number
- E-mail Address
- Bank Details for BACS Payment
- Credit Terms

### **4.2.2 Ordering & Receiving Goods & Services**

The purchase of all goods and services from credit account suppliers apart from utilities, agency staff and food supply should be made through Nugent Care's electronic purchase order system 'POP' on Open Accounts. The POP system contains purchasing approval paths for every department and service with authority levels set in line with those detailed in Appendix 1.

A requisition to raise a purchase order is entered onto the system by the person wishing to place an order. The appropriate approval path is selected. The approvers on the path review and approve the requisition. Once the requisition has been fully approved the originator can then generate a purchase order for the goods. When the goods or service are received, a goods receipt note is raised on the POP system in relation to the order. When the invoice is received this is then matched against the GRN on POP and any discrepancies resolved prior to payment.

To facilitate efficient processing on the POP system, tolerance levels have been set for finance administrators to allow for small variations to be accepted when matching invoices to orders. The finance administrator can use his/her discretion to proceed with a matching where there is a variance between the value of the order and the value of the invoice of up to the lower of 5% or £25. In these circumstances the administrator is not required to refer the discrepancy to the originator or approver of the order. However the administrator must satisfy him/herself that the discrepancy is legitimate and acceptable. The administrator also has the discretion to add extras up to the

value of £25 to provide for items such as delivery charges which were not included on the original order. The administrator is not required to refer this to the originator or approver of the order but must satisfy him/herself that the extra charge is reasonable and acceptable.

For utilities, agency staff and food purchases the POP system is not used. In these cases when the invoice is received from the supplier a purchase ledger label is attached. The relevant finance administrator fills in the label, detailing the supplier account number, invoice date and value and the appropriate expenditure account codes. The invoice is then authorised on the label by the appropriate manager with delegated authority for the relevant service or department in line with Appendix 1. The invoice details are then entered onto Open Accounts in preparation for payment.

Whether the purchase is being processed through the POP system or not, all goods received should be checked and signed for, with any discrepancies being noted on the delivery note. The delivery note must be forwarded to finance where it will be checked against the invoice and attached to the invoice, available for future audit.

#### **4.2.3 Supplier Payment**

Central Finance generate 2 supplier payment runs each month. A full payment run is generated mid month to pay all supplier invoices due for payment at that time. For priority suppliers such as utility companies where there is a risk of service suspension if payment is late, a second, smaller payment run is generated at the end of each month to pay any further invoices that have fallen due since the main payment run.

For both payment runs, a payment proposal report is generated from Open Accounts. This report identifies the invoices due for payment at that time based on the payment terms for each supplier. The financial controller or assistant financial controller review the payment proposal report and the associated invoices prior to approval for payment. When the payment run has been reviewed and approved it is submitted electronically for BACS payment. For a small number of suppliers payment is made by cheque. The central finance team generate payment remittances from Open Accounts and post them out to suppliers.

In addition to the 2 main payment runs each month ad hoc payments can be made during the month to suppliers where invoices have fallen due and they are unwilling to wait until the next payment run.

Some suppliers insist on payment by direct debit. In these instances a direct debit payment is entered onto the suppliers accounts on Open Accounts when the money is paid from the bank account.

#### **4.3.1 Sundry Purchases**

In cases where there is a one off purchase from a new supplier or where payment can only be made in cash, the transaction is processed outside of the purchase ledger, either through a sundry cheque payment or through petty cash.

#### **4.3.2 Sundry Cheque Payments**

Where one off purchases are being made from a new supplier it is usually more efficient to make a sundry payment rather than setting up a new supplier and making payment through the purchase ledger. Sundry cheque payments are generated through the cashbook payments facility on Open Accounts.

#### **4.3.3 Petty Cash Payments**

Please see Petty Cash Procedure.

#### **4.4 Company Credit Card Purchases**

In some cases essential purchases can only be made by credit card, for example internet purchases. Nugent Care issues company credit cards to some staff, where it is deemed necessary. Please see the Company Credit Card Procedure for further details.

Company credit card expenditure is invoiced monthly by Nugent Care's bank and is paid for by direct debit. This is then reconciled to the expenditure submissions made by the card holders (see Company Credit Card Procedure).

#### **4.5 Capital & Lease Purchases**

Although payment for capital and lease purchases follows the same process as detailed above under section 4.2, Nugent Care operates separate procedures for the authorisation of Capital and Lease expenditure. Please see Capital Expenditure Procedure and Lease Expenditure Procedure.

## Appendix 1

### Delegated Authorities for Purchasing

#### Revenue Purchases Excluding Repairs & Maintenance and IT

Position	Authorisation Level
Chief Executive	£100,000
Director of Operations/Director of Finance & Business Support	£50,000
Assistant Directors (Childrens/Adults)	£15,000
Head of HR	£10,000
Quality Assurance Manager	£10,000
School Principal – Nugent House School	£10,000
School Principals – Clarence/St Catherines Head Office Department Heads	£5,000
Heads of Home School Deputy Heads	£2,000 (Agency Staff limit £5,000)
Deputy Heads of Home	£1,000
Team Leader	£500
<ul style="list-style-type: none"><li>• In the absence of the Chief Executive, the Director of Finance &amp; Business Support or the Director of Operations assumes the authority levels of the Chief Executive where this has been specifically delegated by either the CEO or Chair of the Governing Body.</li><li>• Agency Staff Expenditure Only – all relevant Heads of Home have delegated authority to authorise up to £5,000 in incurred expenditure for agency cover. All other expenditure remains in accordance with the approved limits as defined above and throughout this policy.</li><li>• The monthly payment of payroll and payroll related tax and national insurance to HMRC exceeds the above limits but can be authorised by either the Chief Executive, The Director of Finance &amp; Business Support or the Director of Operations.</li></ul>	

## Repairs & Maintenance Ordering

Position	Authorisation Level
Chief Executive	£100,000
Director of Operations/Director of Finance & Business Support	£50,000
Head of Property Services	£10,000
Property Services Officers	£2,000
School Principals Heads of Home Deputy Heads of Home	£1,000
Service Maintenance Staff	£100

- In the absence of the Chief Executive, the Director of Finance & Business Support or the Director of Operations assumes the authority levels of the Chief Executive where this has been specifically delegated by either the CEO or Chair of the Governing Body.
- For practical operation of the system it may be necessary for other staff in services to receive delegated authority to order emergency repairs out of hours.
- Repairs and Maintenance items would be defined as any purchases which would normally be charged to one of the 4 R&M expense codes.

## IT Purchases

Position	Authorisation Level
Chief Executive	£100,000
Director of Operations/Director of Finance & Business Support	£50,000
IT Manager	£5,000
IT Support Officer	£2,000
School Principals Heads of Home	£250

- In the absence of the Chief Executive, the Director of Finance & Business Support or the Director of Operations assumes the authority levels of the Chief Executive where this has been specifically delegated by either the CEO or Chair of the Governing Body.

**Capital Authorisation / Leases**

Initial Authorisation of Capital Spend/Project	
Position	Authorisation Level
Board of Trustees	£ No Limit
Executive Management Team (Any 2 of 3)	£100,000

Authorisation Levels for Raising Purchase Orders against pre approved Capital Spend/Projects			
Property Related		Non Property Related	
Position	Authorisation Level	Position	Authorisation Level
Chief Executive	£100k or up to approved Capital Project amount if pre-approved by Governing Body	Chief Executive	£100k or up to approved Capital Project amount if pre-approved by Governing Body
Director of Operations/Director of Finance & Business Support	£50,000	Director of Operations/Director of Finance & Business Support	£50,000
Head of Property Services	£10,000	Assistant Directors	£10,000
Property Services Officers	£5,000	School Principals Head Office Department Heads	£5,000