


COUNCIL POLICY

Creditor Management	Adopted By Council:	29/04/15	
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	Document No:	CP033	
	Directorate:	Organisational Performance & Community Services	
	Responsible Officer:	Manager, Financial Services	

CONTEXT

The Borough of Queenscliffe applies general trading terms of 30 days with respect to the payment of its supplier invoices. Creditor payment runs are processed fortnightly, averaging \$200,000 each fortnight for operational expenditure, with more significant payments as and when required for capital projects. Given the frequency of supplier payments, the ageing of Council's creditors is typically 100% current.

PURPOSE

The purpose of this policy is to provide direction and guidance on the commitment of funds, and the discharge and payment of liabilities, to ensure consistency and control over the management of creditors with respect to goods and services procured on behalf of Council.

DEFINITIONS

Assets	Resources which have future economic value that can be reliably measured (e.g. cash, investments, debtors, inventories, investment in library, fixed assets).
Capital expenditure	Relatively large (material) expenditure that produces economic benefits expected to last for more than 12 months. It may include the creation of new assets and/or the renewal, expansion and upgrade of existing assets.
Commitments	The commitment of Council funds, to operating and capital expenditure, that must be in accordance with Council Policy CP013: Procurement and authorised in accordance with the Schedule of Delegations.
Equity	The residual interest in the assets of Council after deduction of its liabilities, which is made up of accumulated surplus and reserves (e.g. asset replacement, carry forwards, waste management). Total equity is equal to net assets.
Liabilities	Future sacrifices of economic benefits that Council is presently obliged to make to other entities as a result of past transactions or other past events (e.g. trade and other payables, trust funds and deposits, employee provisions, bank loans).

Operating**expenditure**

Consumptions or losses of future economic benefits, in the form of reductions in assets or increases in liabilities, and that result in a decrease in equity during the reporting period (e.g. employee costs, materials and services, bad and doubtful debts, depreciation of fixed assets, borrowing costs, other sundry expenses).

Responsible**Officer**

The Council officer who has delegated responsibility for program area budget expenditure as designated in the Council officer's position description or an approved standard operating procedure.

POLICY

The policy principles that form the basis of this policy are:

- the discharge of a liability to a creditor will only be authorised when the goods or services have been received in satisfactory condition, or in the case of prepayments, it is believed that the goods or services will be received in a timely manner;
- settlement of a liability will be made on payment terms in accordance with contractual or legislative requirements or, in the absence of specific dates, within the Borough's trading terms of 30 days;
- supporting documentation, or appropriate authorisation by a General Manager in the absence of an invoice/receipt (e.g. parking meter) is required before supplier payments will be made; and
- the payment of suppliers by electronic funds transfer is encouraged (and cheques discouraged).

1. Creditor accounts

Council's financial services team maintains an authorised list of creditor accounts.

Program Leaders may request additional creditor accounts to be established, by sending an email to the financial services team.

1.1 Registration

It will be required for a new supplier to duly complete the "Creditor Creation / Update Request" form and email to accounts@queenscliffe.vic.gov.au. Approval from a member of the executive management team is required to create a new supplier in the system.

1.2 Changes to bank details of the registered suppliers

Any such request must be made in writing using "Creditor Creation / Update Request" form. The Council will contact relevant supplier via a telephone call to verify the request. The call will be made to an existing telephone number. Approval from a member of the executive management team is required to change supplier's bank details in the system.

1.3 Effective vetting of suppliers

The supplier's Australian Business Number (ABN) will be verified for any new supplier to the contract value up to the minimum spend competition threshold. New suppliers with an initial contract value over the minimum spend competition threshold will be verified as a part of the tender evaluation process. If an ABN is not provided, the supplier needs to provide a duly completed ATO form, "Statement by a Supplier".

1.4 Deactivation (data cleansing) of creditor accounts

Supplier accounts will be reviewed twice a year (December and June) any account that has been inactive for more than 3 years will be deactivated (including duplicated creditor codes). A deactivated creditor account will only be activated upon a written request supported with a duly completed "Creditor Creation / Update Request".

2. Creditor payments

When goods and/or invoices are received in response to a purchase order, the quantity of items and invoice price should be verified by the responsible officer and evidenced before authorising payment of the account.

Authorisation of invoices by responsible officers is in accordance with procurement limits set out in the Borough of Queenscliffe Schedule of Delegations.

Payment of creditor accounts is processed by the financial services team on a fortnightly basis, taking into account agreed trade terms. Adhoc payments, while discouraged, may be required on occasion to meet trade terms.

2.1 Invoice authorisation

The responsible officer must review each invoice for payment, provide the relevant cost code for the expenditure to be charged to, and authorise the invoice for the payment in accordance with standard operating procedure.

2.2 Supporting documentation for account payments

Any payment needs to be supported with a purchase order and an invoice or receipt of expenditure.

There may be appropriate circumstances where no purchase order has been submitted for payment for goods or services. Examples include:

- request for a cash advance (e.g. cash float required for seasonal caravan park);
- reimbursement of expenditure incurred by staff on behalf of Council;
- reimbursement of petty cash expenditure (e.g. metered parking fees);
- memberships and subscriptions;
- contributions, donations and sponsorships;
- Councillor allowances;
- refunds for deposits taken (e.g. tourist park cancellations, security deposits for hall bookings);
- urgent purchases (ie, an officer makes a purchase at a hardware store); or
- other ad-hoc purchases where it is deemed impractical to issue a Purchase Order prior to invoice.

If required supporting documents are not available, in such instances, authorisation for payment must be obtained from a General Manager and appropriate supporting documentation provided.

3. Payment methods

The standard method of payment by Council to creditors is by electronic funds transfer (EFT), with payment runs arranged by the financial services team each fortnight.

Cheque payments, while reducing in use, may still be required for some creditor accounts.

On occasion, adhoc payments may also be issued where urgent, although this is discouraged as it involves duplication of effort and considerable staff resources.

It is imperative that creditor invoices are processed in a timely manner, in order to comply with trading terms and avoid unnecessary follow-up of outstanding invoices.

3.1 Payment by electronic funds transfer (EFT)

Council's preferred method of payment is for direct payments into creditor bank accounts by EFT.

Payment terms for EFT are fortnightly. The payment schedule is based on all processed invoices in the finance system dated prior to the payment run.

Payments are forwarded to creditors via an electronic file transfer to Bendigo Bank, for overnight transfer to the respective creditor's designated bank account.

3.2 Payment by cheque

Cheques are issued fortnightly, in cases where EFT is not an option made available by creditors.

Cheques are issued and posted directly to creditors. A lead time of three days is required from the time of processing to receiving payment.

3.2.1 Unpresented cheques

The financial services team completes monthly bank reconciliations, which includes following up on cheques which remain unpresented for more than six months and arranging for replacement cheques to be issued as necessary.

Council complies with the *Unclaimed Money Act 2008*, whereby cheques unpresented for 12 months after Council follow-up are lodged with the State Revenue Office in accordance with legislation.

4. Reporting

The Manager, Financial Services presents a quarterly finance report to Council including the ageing of creditors, which is generally 100% current.

Council's cash flow forecasting is prepared by the Financial & Systems Accountant, based on the fortnightly payment of creditor invoices, taking into account historical experience and trends coupled with known significant project expenditure as advised by the Program Leaders. The Statement of Cash Flows is presented in the Council quarterly finance report to provide a review mechanism for the monitoring of cash flows.

4.1 Annual budget

The Statement of Cash Flows is one of six mandatory statements included within the Borough of Queenscliffe adopted Budget (including Strategic Resource Plan). The relevant lines within this statement which capture the payment of creditor invoices and assist monitoring of creditor management are as follows:

- materials and services (the bulk of operating expenditure);
- other payments (Councillor allowances, audit fees, landfill disposal levy & lease expenditure);
- payments for property, infrastructure, plant and equipment (capital expenditure);
- borrowing costs; and
- repayment of borrowings (in accordance with agreed bank loan schedules).

In addition, assumptions made with respect to creditor payments in the budget document include:

- Section 9.2 – External influences (Consumer Price Index, Local Government Cost Index, government funded projects and waste disposal costs)
- Section 11 – Analysis of budgeted cash position
- Section 16.3 – Service delivery (table of expected price increases for key expense items)

4.2 Quarterly finance reports

Quarterly reports to Council include reference to creditors within the Other Information (Cash and Investments and Interest-bearing loans and borrowings) section of the report and in the Statement of Cash Flows.

4.3 Annual financial statements

The Statement of Cash Flows is reviewed by external Audit, as part of its review of the annual financial statements at each financial year-end.

CONTINUOUS IMPROVEMENT

This policy will be reviewed as a minimum every three years from the date of adoption, and as required.

OTHER REFERENCES

Borough of Queenscliffe Council Policy CP013 Procurement
Borough of Queenscliffe Schedule of Delegations
Borough of Queenscliffe Adopted Budget (including Strategic Resource Plan)
Unclaimed Money Act 2008

END