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Raising orders and making payments

1 HCC financial procedures

Responsibilities of the financial managers:

- To ensure that all official orders in a form approved by the Director of Corporate Resources are issued for all work, goods or services to be supplied to the County Council except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions specified by the Director.
- To ensure that all official orders indicate clearly the nature and quantity of the materials, work or services to be supplied and details of the agreed or estimated price, relevant discounts and delivery terms. All orders will be serially numbered.
- To ensure that orders are only used for goods and services provided for the school. Individuals must not use official orders to obtain goods or services for their private use.

2 Financial regulations – use of official requisition

Hampshire County Council financial procedures state that:

- To ensure that all official orders in a form approved by the Director of Corporate Resources are issued for all work, goods or services to be supplied to the County Council except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions specified by the Director of Corporate Resources.
- To ensure that all official orders indicate clearly the nature and quantity of the materials, work or services to be supplied and details of the agreed or estimated price, relevant discounts and delivery terms. All orders will be serially numbered.
- To ensure that orders are only used for goods and services provided for the Council. Individuals must not use official orders to obtain goods or services for their private use.

In the main goods and services will be purchased using an official Hampshire County Council order (known as a requisition).

3 Officers code of conduct (from Constitution part 4)

4 Contract Standing Orders

For contracts valued at or below £100,000 tenders are not required but schools shall invite at least three quotations. The principles of best value apply and the selection process should be documented. If the contract is then awarded to any other than the lowest tender then the reasons for doing so should be justified, recorded and approved in line with the school's internal delegated spending limits. Schools are not expected to obtain three quotes for very low value items or where goods are purchased from the County Supplies catalogue.

For transactions valued over £100,000 and up to the EU procurement threshold of £172,514 (from 1 January 2014) at least five tenders must be invited through a formal tender process conducted in the manner outlined in the Contract Standing Orders. The school must also get an LEA officer to countersign any contracts for goods or services worth more than £100,000 in any one year.

For contracts in excess of the EU threshold schools are advised to seek advice from either County Supplies, the Legal Practice or their own solicitors. When considering the thresholds schools should be aware that the relevant value of a contract is either its cost over its life, where it is for a fixed term, or 48 times the monthly payment to be made under the contract where there is no fixed term. It is very important to ensure that all contract documentation is treated as confidential information and held securely throughout the tender evaluation.

All contracts that exceed £100,000 in value must be referred to the Legal Practice for checking before commitment in accordance with the Scheme of Delegation.

It is important that tenders and quotations are properly secured between receipt and the decision to award a contract, and that the information remains confidential. Records should be maintained to indicate how access is controlled even where electronic communication is used. Advice should be sought from either County Supplies procurement staff, or the Legal Practice, before entering into any negotiation process with bidders in order to protect against claims of corrupting the competition.

5 Declaration of pecuniary interests

The governing body and school staff have a responsibility to avoid any conflict between their business and personal interest and affairs and the interests of the school. Paragraph 12.1 of the County Council's Scheme for Financial Management (as approved by the Secretary of State for Education) requires that the governing body of each school must establish (if it does not already have one), a register that lists for each member of the governing body, the headteacher and staff who may influence expenditure any business interests they, their partner or any member of their immediate family have. The governing body must keep the register up-to-date with notification of changes and through annual review of entries, and make the register available for inspection by governors, staff, parents and the County Council. From 1 September 2015 the register is required to be published on the school website.

The register must include all business interests such as directorships, share holdings and other appointments of influence within a business or other organisation that may have dealings with the school. The disclosures should also include business interests of relatives

or other individuals who may exert influence. Minor interests that are not material such as a small shareholding in a large organisation, for example, British Telecom, do not need to be declared. Schools should ensure the register is up-to-date, completed, signed and includes all governors and relevant staff. Signed and dated nil returns must also be completed if there are no such interests. The register should be completed in ink – not pencil – and where there is nothing to declare the words ‘nil return’ should be entered on the register. The register does not remove the obligation to declare interests at meetings as and when they arise and the opportunity to do so should be a standing item on all agendas. The register should be available for inspection by governors, staff, parents and the County Council. From 1 September 2015 the register is required to be published on the school website.

Headteachers and other staff should declare all consultancy, including work as school improvement partner, and other out of school income as a pecuniary interest. This applies even if the resulting income is paid into the school budget prior to the headteacher receiving any additional payment.

6 Use of petty cash accounts

For purchases under £250, please see petty cash guidance in Part 4 of the Manual.

7 Use of purchasing cards

Purchasing cards are intended to assist schools with:

- reducing the use of petty cash for purchases
- removing the need for staff to use their personal cards for ad hoc and specialist purchases
- reducing the volume of purchase orders, good receipts and invoices for low value, low risk purchases
- improving ordering processes for specific specialist, non-contracted suppliers
- improving ordering processes for specific, contracted suppliers where the average purchase price is low and the benefits of raising a purchase order are minimal

Schools must follow the procedures specified on the purchasing card webpages at <http://intranet.hants.gov.uk/finance/purchase/pcardspcash/pcards-corporate.htm>.

8 Principles of raising orders and making payments

The procedure for producing orders on SAP involves two authorised users: an initiator and an authoriser. The same person is unable to initiate and authorise the order. The initiator (usually the administrative officer) will type the order into SAP. Once this stage is complete the document will be sent to the authorising officer (usually the headteacher) who will authorise the order. Different cost centres within the school can have different users set up in these roles and limits can also be placed on values that can be authorised by a particular person and this facility is useful particularly in large secondary schools. A substitute facility also exists on SAP and schools are advised to ensure that a substitute is set up so that if the authoriser is absent for some time orders can still be authorised.

Authorisation of purchase orders is set up in accordance with the school's organisational management (OM) structure.

Each purchase order will be given a unique order number.

An authorised order will commit the order total against the school budget as an outstanding commitment. This commitment will remain against the budget until the goods or services have been goods received (Model 2), invoice has been paid (Model 1), or the order cancelled.

In some schools heads of departments complete details on a manual requisition before passing it to the school office for authorisation and action. A purchase order must be raised for electronic authorisation and payment. This will ensure that the administrative officer is provided with full details of the order as well as the authority to charge the cost of the order against the departmental budget as appropriate.

Contracting Direct

When you need to raise a purchase order for goods or services, visit [Contracting Direct](#) – the easy-to-use website containing information about a range of suitable contracts and suppliers.

Contracting Direct has been enhanced to provide staff in Hampshire schools with greater information about numerous contracts available for their use as part of the Joint Working Partnership.

Regularly updated with new and existing contracts, and containing the latest supporting documentation, the website includes details about contracts with approved suppliers, all supported by straightforward guidance documents.

For schools, using these Hampshire County Council contracted suppliers and applying the correct ordering process, delivers better value for money – saves time and avoids duplication, and increases security through using approved suppliers.

9 Storage locations (delivery address)

When placing a requisition order, a delivery address must be selected. This is the location to which County Supplies and suppliers for requisitions will deliver goods. The storage location used on the requisition **must** be known to County Supplies. New storage locations can be set up at any time by completing the online form at <https://hampshire.firmstep.com/default.aspx/RenderForm/?F.Name=IcyNXAFdaH0&HideToolbar=1n>. All new orders will automatically use the default storage location unless it is changed.

10 Security

The initiation and authorisation of IBC Portal orders is to be by two separate members of staff and is a requirement of financial regulations. This ensures proper internal control on the order and subsequent payment of goods and services. The sharing of passwords is therefore prohibited as this will hinder the proper execution of the internal check process.

11 SAP orders ([County Supplies](#))

The IBC Portal eStore can be used to generate purchase orders from County Supplies. The County Supplies catalogue can be viewed and items chosen from it, or where known, the catalogue number quoted. The description of the goods will be displayed on search findings.

Once authorised the order total is committed against the school's budget according to the coding on the order and sent electronically to the County Supplies system for despatch on the next delivery run.

Templates

The eStore allows users to copy a previously raised shopping cart and use it as a template for any new orders. The copy cart can be re-raised if it contains items regularly ordered or amended to reflect any changes required.

Cancelling or reducing an authorised shopping cart

If a shopping cart is to be cancelled or reduced after it has been sent to County Supplies after authorisation the following procedure should be used:

- a) Telephone County Supplies and check that the goods have not already been processed for packing.
- b) If the goods have already been processed for delivery, it will be necessary to return them using the normal return to stores procedures. When they have been received arrange with County Supplies for them to be collected and returned to store. The credit is received and this will offset the charge that has already been made when the goods were delivered. This appears on the Actual Line Items report, which can be run via the IBC Portal (instructions on how to use this function are available via the Help tile on the home page of the IBC Portal).
- c) If the goods have not been sent out, confirm the change via e-mail to [County Supplies](#).

Using the [rapid delivery service \(RDS\)](#) or collecting goods

Payment of orders

The authorised shopping cart will add the value of the order onto your commitments against the school budget. Once the goods have been delivered the details of the delivery note will appear on your SAP reports and the commitment will move to actuals. There is never any need to manually adjust requisition orders as the adjustment procedure is automatic.

12 SAP orders ([Can't Find](#), [Simple Shop](#) and [Service Shop](#))

IBC Portal eStore can be used to generate orders that can be sent to external suppliers. Orders must be raised on the system prior to the physical ordering of the goods.

The order consists of:

- A header screen where details of the supplier, order number, storage location and default coding are held.
- The lines screen where the description of the goods ordered are typed. From here the code on individual lines can be amended.

The initiator of the purchase order must select the supplier from the search facility in IBC Portal eStore using name or postcode. Once used the supplier can be added to your own local list/favourites. To set up a supplier go to the Supplier tile in the eStore folder.

Sufficient detail of the items ordered must be typed onto the purchase order to enable the supplier to deliver your requirements. Each line of the order should contain an estimate of the cost so that a commitment can be made against your budget.

If the order relates to a contract order the contract reference must be typed in the appropriate fields on the header screen.

When the document has been authorised it is automatically despatched to the supplier via e-mail. If an e-mail address is not available, the order will be faxed or posted.

The order total will now be added to your outstanding commitments.

If goods are not delivered the commitment against your budget should be cancelled. If you are a Model 2 school then you can clear commitments via the Goods receipt tile. If you are a Model 1 school then you will need to raise an IBC Enquiry for this to be actioned centrally.

Cancelling or reducing a shopping cart

Should an order require amendment this can only be done when a cart has been saved, is awaiting approval or has been rejected. If this is the case, the alteration can be undertaken via the IBC Portal eStore and clicking on purchasing and selecting my carts. Guidance notes are available via the IBC Portal Help pages..

An order may be cancelled only when a cart has a status of saved or awaiting approval .

13 [Receipt of goods](#) (Model 2 schools only)

When goods are received a responsible person must check that they are of the quality and quantity ordered and that the details on the delivery note are correct. This should be entered on the system via the IBC Portal. Work instructions can be found via the IBC Portal Help pages.

If an invoice is received before the goods have been delivered the supplier should be notified immediately. Invoices should only be paid where goods have been received. If the conditions of sale printed on the invoice stipulate that non-delivery must be advised in writing then these conditions must be fulfilled.

Once an official order has been passed to a supplier the issuing establishment is responsible for meeting the costs of any subsequent invoice – irrespective of who received the goods or services.

It is a requirement of the IBC that goods are receipted on the system. Invoices cannot be paid unless goods have been receipted.

If goods are subsequently returned then the receipt should (and will need to) be reversed using the Goods Receipt tile via the IBC Portal. Work instructions can be found via the IBC Portal Help pages. It should also be noted that orders cannot be cancelled for items that have been goods receipted.

Once receipted expenditure moves from the commitment column to actual on SAP.

14 Processing and payment of invoices

School invoices are processed on SAP in one of two ways. Model 1, the school receives their invoices direct from the supplier and processes them on IBC portal. Model 2, the school invoice is sent direct to the IBC by the supplier for processing. Some of the guidance below will only be applicable to some schools, depending which model they are on.

Payment should normally be made only against an invoice. If a supplier submits a statement showing unpaid accounts which cannot be traced he should be asked to provide copies of the outstanding invoices. Do not authorise payment against a statement, particularly if the charge includes VAT. A statement of account does not normally conform with HM Revenue and Customs (HMRC) VAT requirements.

If schools need to make a payment which includes VAT, but do not have a VAT invoice, then VAT must be initially coded to the school's cost centre using V7. When the VAT invoice is received a correcting adjustment can be made by a nominated accountant. Details can be found in the Corporate Resources [Tax Manual](#).

Under no circumstances should VAT invoices be altered. If an invoice is incorrect it should be returned to the supplier for cancellation and subsequent replacement. VAT must be paid on all invoices where it has been correctly charged.

The County Council operates a payment policy of 30 days from the date an accurate invoice is received by the IBC (for Model 2 schools where IBC pay invoices) or the school (where schools pay their own invoices under Model 1) If a discount for prompt payment is applicable payment can be made earlier. The date the invoice is received is the later of the date the goods are received or the invoice is received.

15 Payment checking procedure

The overriding principle is that Hampshire County Council requires purchase orders to be raised for all goods or services prior to any goods, services or works being delivered, or an invoice being submitted by a supplier. This is known as the '[No Purchase Order, No Pay](#)' policy. Before invoices are paid certain checks need to be carried out:

Model 1 schools (processing own invoices)

- a) Check the goods/services, being invoiced, have not previously been paid for.
- b) Ensure the goods have been received or work completed. If the invoice is for only part of the total cost do not wait until all the goods/service have been received or for the final invoice. Always pay the invoice, provided the goods/services reflected on the invoice have been received/completed.
- c) Where goods or services have been ordered on a purchase order (this should almost always be the case) ensure the invoice agrees with the order. Check the company name on the invoice against the supplier record to ensure they are the same. If they differ, check with the company on the supplier record the reasons for this prior to making payment.
- d) Confirm the goods have been received in a satisfactory condition or the work properly completed before payment is made. A signed delivery note or worksheet could be used to confirm/provide this information.

- e) Check the price is correct and the arithmetical calculations have been properly made.
- f) Ensure all discounts and credits have been applied.
- g) If VAT has been charged, ensure the invoice is a proper VAT invoice. It is acceptable to receive an invoice as an attachment to an email provided it is printed and then treated in the same way as a paper invoice. A VAT invoice must show:
 - an identifying number
 - the name, address and VAT registration number of the supplier
 - the date of supply and issue of invoice
 - the customer's name and address – this must be the school (not a private fund, such as the PTA) or HCC
 - a description which identifies the goods or services supplied and for each description:
 - the quantity of goods or extent of the services
 - the unit price
 - the charge made, excluding VAT
 - the rate of VAT
 - the total charge made, excluding VAT
 - the rate of any discount offered
 - the total VAT payable.

For invoices under £250, less details are required:

- the name, address and VAT registration number of the supplier
- the date of supply (tax point)
- a description which identifies the goods or services supplied
- for each VAT rate, the charge made, including VAT

See the Corporate Resources [Tax Manual](#) for full guidance.

- h) Where discount is given for prompt payment, process the invoice in time for Corporate Resources to make payment within the specified period. VAT is calculated on the discounted value, whether or not the discount is taken.
- i) Authorisation of invoices should be made by someone other than the person who checked the invoice.

Model 2 schools (IBC process invoices)

- a) In order for payment of invoices to be released option 2 schools need to process a goods receipt against the relevant purchase order, this should be done as soon as

the goods have been received and checked. A delay in this can lead to a delay in the invoice being paid.

- b) Where goods or services have been ordered on a purchase order/ requisition (this should nearly always be the case) ensure the delivery agrees with the order. Check the company name on the delivery against the supplier record to ensure they are the same. If they differ, check with the company on the supplier record the reasons for this prior to goods receipting to ensure there are no issues when the invoice is processed
- c) Confirm the goods have been received in a satisfactory condition or the work properly completed and process a goods receipt against the relevant purchase order. Only goods receipt those items that have been received/completed to ensure that invoices are not paid for undelivered goods or services. A signed delivery note or worksheet could be used to confirm/provide this information.
- d) VIM software will support the scanning and recognition of invoices and any that do not match the purchase order will be blocked and work flowed back to the school for authorisation.

16 Credit notes

Please see attached link for guidance on raising credit notes.

<http://www3.hants.gov.uk/hampshirecountycouncil/portal-help/purchasing/credits.htm>

17 Energy management payments

The payment of gas, electricity, water/sewerage, fuel and non-domestic rates charges are made by the Integrated Business Centre (IBC) and should be sent direct to energymanagement@hants.gov.uk by the supplier.

In most cases these payments are made in advance by bulk direct debit in order to benefit from discounts offered by suppliers to the local authority. Others are paid in the same way as standard invoices.

The SAP system records and stores relevant consumption data which is used by Property, Business and Regulatory Services to monitor usage and identify problems such as water leaks. It is also used by the County Supplies officer to forecast consumption when negotiating supply contracts. Historical data can be easily accessed and provided on request.

Details of all EM transactions appear in SAP directly against the cost centre.

If any of the EM charges are disputed schools need to contact the user that created the charge.

Public utility companies should send invoices to the Energy Management Team at the IBC. If paper invoices are received by individual schools they must be forwarded to Energy Management for processing.

18 Construction industry scheme (CIS)

Treatment of CIS invoices

Following a review of practice and in accordance with the rules governing the operation of the CIS where community and voluntary controlled schools spend their budget on works that fall under CIS, they **do not** need to enter CIS labour details in relation to CIS suppliers. However, certain schools for example voluntary aided, foundation or trust schools **must continue** to enter the CIS element shown on their invoices. Please refer to [School Communication SC014686](#) for further details.

19 Employment status

The issue of employment status often causes difficulties. When an individual is engaged, prior to an order being raised on the IBC Portal, or any work being undertaken, the school has a legal responsibility to determine employment status – i.e. whether the individual is to be regarded as:

- employed, and payable via the payroll; or
- self-employed, and payable on invoice

This must be determined on a case-by-case basis and is dependent upon a number of factors relating to the work and the way in which it is undertaken. The fact that an individual has registered with HMRC as self-employed does not automatically mean that all of their work counts as self-employment.

In the event that an individual is treated as self-employed in error, HMRC will charge the school for the Income Tax and National Insurance Contributions that should have been deducted from payments to the individual, plus employer's National Insurance Contributions and interest. They can also add further penalties if they feel that the error was careless or deliberate. They will normally go back up to four years. Therefore the cost of incorrectly determining employment status can be significant.

Full details of how to determine employment status are within section 3.7 of the Corporate Resources [Tax Manual](#). If having followed the guidance you are still uncertain, please contact the IBC Tax Team on (01962) 847404, or email ibctax@hants.gov.uk.

20 Personal service companies

Some schools use workers who are engaged through their own limited company or Partnership, where the owner/director(s) of the company is the person(s) carrying out the work. Payment for work carried out may be made via an invoice and purchase order. These companies are normally known as personal service companies (PSC).

Anyone such as a consultant, IT worker, supply teacher, sports coach, therapist or 'odd job repair person' could be engaged through a PSC.

From 6 April 2017 important changes to the tax rules that apply to PSCs who work for public sector organisations come into effect. This includes PSCs who are supplied through a third party agency. The County Council's position is that no workers who are engaged through a PSC should be directly engaged. The liability for making the wrong assessment also switches to the public sector organisation or intermediary agency. Where maintained schools have failed to follow this guidance, the liability will be passed on to the school by Hampshire County Council.

Please see [School Communication SC014794](#) and [School Communication SC015161](#) for further guidance.

21 Payment to staff who mentor students

This section applies where a staff member, under their contract of employment with the school, undertakes mentoring of students in another education institution.

The sponsoring college should pay the school for these services and this should be banked to an appropriate income code.

The school governing body can decide whether the individual should receive payment for work outside contracted hours. They should consider the level of any payment to be made, in the light of the school's circumstances and the amount of money available to the school through its partnership with the education institution. Payment must be paid via payroll, and will be subject to tax and national insurance.

22 Paying invoices on time

Payment policy

The County Council is committed to paying its suppliers promptly and our policy is for payments to be received within 30 days of receiving an accurate invoice unless other contractual conditions apply. The Council's payment systems are designed to meet this policy.

Invoices are processed either via the IBC or the school, depending which payment option the school has selected for its transactions. Official purchase orders must be raised in nearly all cases. However, it is recognised that purchase orders are not appropriate for all categories of spend or where there is no invoice or actual supply. The [non-PO policy and processes](#) can be used in these exceptional circumstances.

It is very costly to make one-off payments to individuals or staff and therefore the following practices should be adopted.

Business mileage and all related expenses should always be processed via the IBC Portal. This will help to ensure the correct tax treatment of such amounts.

Unavoidable one-off costs and interview expenses for non-HCC employees should normally be reimbursed via petty cash. All such requests need to be fully supported by receipts and payment will be made by cheque. *Please note that VAT is not recoverable on interview expenses.*

IBC payment processing

Every payment made through the IBC is automatically allocated a payment release date which is 29 days after the invoice received date. This is the date by which the supplier should receive payment. To ensure that we achieve prompt payment consistently, the age of invoices received in the IBC for processing is monitored regularly as is the timeliness of payments made.

Payment timetable

The payment run takes place in the afternoon of every working day throughout the year. It produces crossed cheques and Bankers Automated Clearing Service (BACS) transfer overnight and includes the following types of payment:

- SAP
- Invoices processed through direct data entry to SAP by Payments Team staff
- Energy management accounts, eg. gas, electricity and other property charges
- Periodical payments, eg. rents

Payments to the same supplier are aggregated each night so that up to 32 invoices can be paid on one single cheque or BACS transfer.

12 How should I order and pay for what I'm buying

