



SFPM: Payment of External Supplier Invoices

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Payment Procedure

Purpose

- 1.1 The Accounts Payable Office is responsible for paying invoices for all purchases made by schools and internal departments within the education function with the exception of cheque book schools.

Information on an invoice

- 2.1 In order to process an invoice for payment, it is essential that the following information is shown: -
- a) Name and address of payee.
 - b) Description of goods or service.
 - c) Value of purchase.
 - d) Document/Invoice number.
 - e) Date and tax point.

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- k) Authorisation Slips must exactly match the relevant invoice, i.e. payee name and address should match the invoice, the totals should be correct, and the authorisation slip should be certified and attached to the invoice.
- l) Only one authorisation slip can be accepted for each individual invoice, unless for a dual site. In this case the authorisation slip should be clearly marked “ Dual site please see 2nd Authorisation Slip “
- m) Should FMS/CMIS produce details other than that shown on the invoice, the Authorisation Slip must be amended, but Schools must ensure that any alterations are recorded to ensure that any major differences are reconcilable.
- n) Accounts Payable scan the invoice using an OCR device and use the information on the Authorisation Slip for processing the payment to the supplier.
- o) If payment is to be made into a Foreign Bank Account schools must submit on a Foreign Payment form with the FMS/CMIS Authorisation Slip and attach any supporting documentation such as an invoice.

N.B. The form is available from Accounts Payable. Email: SchoolsPaymentenquiries@birmingham.gov.uk for a copy.

- p) If payment relates to expenses for staff the claim must be paid through the City's Payroll System (or through an external payroll provider if applicable), in line with HM Revenues and Customs guidelines.
- q) It is usual for the supplier to receive one cheque covering many invoices from different schools/establishments. This can include credits for other schools and establishments. The supplier will receive a remittance advice detailing all payments / credits to correctly allocate to individual accounts.
- r) Charges are received by the school via the weekly reconciliation interface file from Voyager. This will update FMS/CMIS with expenditure relating to all external invoices processed.
- s) If the charge exactly matches the information he

- 7.4 Schools should ensure that they have sight of a contractor's Public Liability Certificate before work commences and that it has been seen.
- 7.5 Sub-contractors' invoices under £100 may be paid through petty cash providing that a Tax Exemption certificate is produced. However wherever possible an official order should be produced.
- 7.6 Schools that operate their own bank accounts can choose to administer the Scheme, on behalf of the Local Authority, in respect of construction work undertaken at those schools. The local tax office and the Local Authority will be able to give advice on whether a school's arrangements bring it within scope of this provision. Where the school operates the Scheme, it will need to do so on the same basis as any other contractor. HMRC will be keeping this arrangement under review to ensure that schools operate the Scheme correctly.

Pay employees and employed individuals

- 8.1 It is important to establish the actual relationship between the school and individuals undertaking work for the school. In other words, if the individual is being offered employment, all payments should be made through the Council's payroll system in order that appropriate statutory deductions of Income Tax and National Insurance contributions can be made. Schools that have the

- Can they get paid overtime or bonus?

8.4 Self-Employed

If the answer is “yes” to all of the following questions, it will usually mean the worker is self-employed:

- Can they hire someone to do the work or engage helpers at their own expense?
- Do they risk their own money in the business?
- Do they provide the main items of equipment they need to do the job?
- Do they agree to do a job for a fixed price regardless of how long the job may take?
- Can they decide what work to do, how and when to do it and where?
- Do they regularly work for a number of different people?
- Do they have to correct unsatisfactory work in their own time & at their own expense?

8.5 Intermediary Companies – IR35

With effect from 6th April 2017, HMRC have issued new legislation – IR35 which is also known as ‘intermediaries legislation’. This is a set of rules that can affect Tax and National Insurance contributions if schools engage someone through an intermediary.

The intermediary can be:

- A limited company
- A service or personal service company (PSC)
- A partnership

A check of the workers’ status must be carried out by the employing body by HMRC’s ESS test to identify if the worker should pay Tax and National Insurance contributions through the payroll for the engagement. See the link in 8.6

If payment is required through the payroll the invoice should be submitted electronically to IR35.Payments@birmingham.gov.uk

If payment is required to be made by invoice schools should submit in the normal way.

Schools should email IR35.Payments@birmingham.gov.uk if they are unsure whether the legislation applies, or refer to the guidance on the Schools HR Portal.

8.5 HMRC may impose financial penalties for non-compliance with PAYE regulations. These are in addition to settlement of any underpayment of Tax/NIC.

Any invoice submitted to Accounts Payable will assume to have been checked for the correct payment method

More information is available at www.hmrc.gov.uk/calcs/esi.htm and www.gov.uk/guidance/check-employment-status-for-tax

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eg	Goods	100.00
	Surcharge	20.00
	VAT	<u>17.50</u>
		137.50
	Deduct Surcharge	20.00
		<u>117.50</u>

10.2 Birmingham City Council has produced a Payments Charter, which stipulates that payments to suppliers should be made within 30 days of receipt of invoice, unless contract terms state otherwise.

Division of Duties

11.1 It is vital that a proper system of control is implemented that requires a satisfactory division of duties to be in place for the placement, receipt and payment of goods and services in schools.

11.2 The basic requirements include:

- The person raising the order should not be the person authorising the order.
- The person who certifies the paper copy of the order should also authorise the order on FMS/CMIS
- The person authorising the payment should not be the person who has authorised the order.
- The person who signs the payment authorisation slip should also authorise the invoice on FMS/CMIS.
- The person who authorises the payment should not be the person who has certified the receipt of goods and services, or completion of the work concerned.

11.3 Where it is not possible to separate these duties, arrangements must be agreed, in advance and in writing, with Schools Financial Services.

Sign and Slip

12.1 Details on the Authorisation Slip must **exactly** match the invoice.

12.2 Only one Authorisation Slip is allowed per invoice (except for dual sites).

12.3 Do **not** use highlighter pens to highlight any part of the authorisation slip or invoice as the OCR device will not be able to read the information.

- 12.4 Payments to other City Departments/Sections or other non-cheque book schools cannot be dealt with by the external invoice process. These must be paid either by internal invoice (using the Internal Invoice Portal) or by Voyager journal transfer of funds which are dealt with by Schools Financial Services.
- 12.5 Payments to foreign suppliers are made via a different process which will require additional information. Before processing foreign invoices obtain advice from Accounts Payable on either 675 8997 or by email to schoolpaymentenquiries@birmingham.gov.uk
- 12.6 Processing invoices for construction industry suppliers – The City is required by HMRC to verify with them whether any suppliers we pay (in relation to the labour element of construction work) is liable to tax deduction. To help speed up the verification process, advise the supplier that they must clearly quote a