



LCC Schools Finance Handbook

Section B:

Ordering and
Payment
Procedures

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SECTION B1: Purchasing Options Summary

B1.1 General

Lincolnshire County Council have various payment methods for goods and services.

Quantity Requisition / Purchase Order

A Requisition is the request for goods / services. It is raised by selecting from a product group or product from a catalogue, only when it is approved will a purchase order be produced. The document is then sent to the supplier either electronically or post. Once the goods / services have been received a goods receipt task will need completing.

This is the most commonly used purchasing method and should be used for purchases of goods / services where an invoice is to be supplied. A purchase order formally notifies the supplier of the council's requirements and must be raised prior to an invoice being received. The purchase order should pre-date the invoice. Examples include the purchase of stationery, craft materials and room hire for a single event.

Value Requisition / Purchase

This type of order is typically raised at the beginning of the new financial year or a contract period. It should be used if a school are paying a number of invoices over the year of varying amounts therefore the value is not displayed on the purchase order. The supplier is then paid

on delivery of aspects of the work at regular intervals. The order is partially goods received by the Requisitioner as and when the goods / services are delivered and the invoices are received.

This type of order is used when you will receive multiple invoices of varying amounts for goods / services received across the financial year, and you cannot be certain of the quantity and/or price of any single delivery.

NPNP Exempt Invoice

Even where a supplier is exempt from quoting a Purchase Order (PO) under the No PO No Pay (NPONP) policy, it remains a requirement that a PO is raised internally once the invoice has been received. This ensures that all goods and services are commissioned through the standard procurement route and supports robust financial accounting and audit practices. For schools using Business World, you will receive a Proactis link to provide a PO in this scenario.

This only applies when the category of spend being paid for is on the pre agreed list of exemptions for No Purchase Order No Payment policy. Examples include utilities, business rates and telephone bills.

One Time Payment

A one-time payment must only be completed to an individual unlikely to be paid again in the future and where an invoice will not be produced. An example is a reimbursement of interview expenses.

Procurement Card

A procurement card is a visa credit card registered to Lincolnshire County Council and a named individual. It operates in a very similar way to a personal credit card.

It is the system used to purchase items under the value of £1,000 where the supplier does not invoice. Examples are purchases on the internet such as Amazon, subscriptions and TV licenses, train fares, hotels and conference fees

B1.2 Prime Account Schools

Please note the same principles should be applied to those schools who hold Prime Account status.

SECTION B2: Ordering Procedure

B2.1 Introduction

In April 2016, Lincolnshire County Council introduced No PO/No Pay with regards to all orders placed. All goods, work or services supplied to Schools should be generated as either a value or standard order for that specific supplier prior to formally placing an order. The supplier then receives a copy of the order which is an agreement to supply goods/services to schools as per terms and conditions.

B2.2 General Procedure

When ordering from a supplier, a requisition should be raised. The Requisitioner may need to initially contact the supplier to confirm the value of the goods and if vatable. If the value of the requisition is below £1000 a purchase order will be sent to the supplier as confirmation to supply the goods or services. Any requisitions that fall outside this value will require authorisation from the Headteacher before a purchase order is generated.

Once goods have arrived on site and are evident (e.g. by sight of a delivery note) or services have been provided, purchase orders should be goods received. There may be instances when a number of deliveries are received to fulfil an order. Each delivery should be Goods Received as they arrive. Occasionally a number of invoices may be received to fulfil an order. Therefore, it is important to consider what you are ordering and to include multiple lines or quantities to allow for this possibility. Any lines of an order no longer expected to arrive should be terminated.

As per the No PO No Pay policy, official purchase order numbers should be quoted on all supplier invoices for goods, work or services that are received and be matched to that purchase order. Exceptions to this are direct invoices which are NPNP Exempt, i.e. utility bills, where the rate of which are periodic and change each time. These invoices still require a purchase order to process the payment against. Checks should be made to ensure that the goods or services have been received prior to authorising payment of an invoice received. Delivery notes should be kept as confirmation of receipt of the goods for reference or disputes.

A 'No Purchase Order No Payment Process Guide' is available on Fresh Service.

Verbal orders are to be given only in an emergency, and are to be confirmed by an official order no later than the next working day. The order should be marked 'confirmation' and sent to the supplier.

B2.3 Specific Points of Practice

Official orders should not be used to obtain goods for delivery to non-County Council (School) or private premises, or services for personal or private use.

Employees should not take advantage of preferential terms negotiated by the County Council (including ESPO), in order to obtain goods or services for their personal or private use (ref Employees Code of Conduct).

Manual order forms should not be issued to suppliers.

B2.4 Prime Account Schools

Please note the same principles should be applied to those schools who hold Prime Account status.

SECTION B3: Payment of Creditor Invoices

B3.1 Introduction

For the preparation of all invoices it is essential to ensure that:

- The items charged on the invoice have been received and are in accordance with the Purchase order
- Prices that are charged and discounts allowed are correct

Where a discount for prompt payment is allowed, the supplier will need to issue an invoice quoting the discounted total. If it has not, schools will need to process and request a credit note for the difference.

B3.2 Payments Timescale Policy

Payment is defined as the production of a cheque or BACS payment to a specific Supplier.

B3.3 Objectives

- a) To ensure that management and staff are aware of the Council's payment terms and procedures
- b) To ensure that all undisputed bills are paid on time, in accordance with Central Government standards set for the Local Authority
- c) To ensure that complaints, disputes and queries are dealt with promptly
- d) To ensure that there is no detrimental effect to the Local Authority's cash flow as a result of making payments earlier than necessary.

B3.4 LCC Standard Terms & Conditions of Contract With Suppliers

The Authority states within its conditions of contract with suppliers that its payment terms are within 30 days from the date of a valid invoice. The supplier will be informed of these conditions when they receive a purchase order from the Local Authority.

The Local Authority's Payment Policy is intended to achieve general compliance with these standard credit terms. The purchase order will include a link that the supplier can access to read our terms and conditions.

The Authority is required to publish its performance in meeting this payment deadline as one of the national performance indicators imposed by Central Government.

B3.5 Payments Policy

Payment of undisputed invoices are to be made on the **28th calendar day** (or next working day) from the **invoice date** unless:

- earlier payment is appropriate
- later payment is specified or needed

Note: the difference between the 28th calendar day mentioned above and the 30 day payment term is to allow time for the payment (e.g. cheque) to be sent to the supplier. Schools are urged to press suppliers for preferred payment by BACS as a more secure, cost effective and convenient method.

B3.6 Earlier Payment Justification

The Authority's standard payment terms are 30 days from the date of the invoice, however it is recognised that in certain circumstances, a shorter payment period is necessary or justifiable for certain regular payments for specific suppliers. **Payments to any other supplier or other criteria that are not already on the early payment terms must be authorised and requested on a specific basis.** An example of this is where our standard terms prevent a discount to be achieved or if it is detrimental to the supplying of services. Any questions or queries should be directed to Procurement.Lincolnshire@lincolnshire.gov.uk

B3.7 Later Payment Procedure

If payment terms have been agreed with a Supplier which are longer than the standard 30 day payment terms of the Local Authority, then payment should not be made to the vendor before the established due date. To ensure this, the school will need to contact the Accounts Payable team via email to Suppliers@lincolnshire.gov.uk asking that the specific invoice be 'Parked' until such time it can be paid. When the school require the invoice to be paid, the school should then ask Accounts Payable to un-park the invoice allowing it to go onto the next available payment run.

B3.8 Procedure To Set Up A New Supplier – Business World Schools

When setting up a new supplier on Business World, users should raise a new supplier request as per the procedure note available on Fresh Service.

The new supplier request will workflow to the headteacher for authorisation before routing to Masterdata for the team to complete a number of checks before the request is either approved or rejected. In order to set up a new supplier, please also include a copy of their official correspondence details including VAT registration if they are registered, bank details, etc. This could be on the suppliers headed paper or a copy of the supplier invoice.

Payment terms will be attributed to the supplier master record as LCC standard terms once set up. These will apply to all future invoices entered, not just the initial invoice for payment.

When authorising the new supplier request task, the authoriser is confirming that there is a need for the master record and that supporting documentation / certification has been obtained.

B3.9 Employee Suppliers

Employees of Lincolnshire County Council are set up on Business World as a payroll supplier in order to receive net pay payments and payroll expenses. These Payroll suppliers fall outside the general creditor vendor system and are set up and controlled under HR guidelines. Employees should not be set up as general supplier in order to receive employee expense payments.

However, if an employee is also a genuine supplier of goods or services to the authority, in this circumstance, a creditor supplier should be set up for the employee concerned. In other words, if an employee has a separate non-employment relationship with the Council, they can be set up as a supplier (e.g. an Education employee is also a voluntary driver for Communities).

B3.10 Payment Procedure Via Business World

The due date for payment of invoices is calculated by using the invoice date plus payment terms on the supplier master record.

For example, for a supplier set up with payment terms of 28 days, a payment will be generated 28 days from the date of the invoice, entered into the appropriate invoice date field.

If an invoice is received after it is due, the payment is overdue, and it will be picked up on the next available payment run.

B3.11 Overriding Of Payment Terms for 'One-Off' Occasions

On certain one-off occasions, it may be necessary to override the payment terms of a supplier set up with standard payment terms of 28 days. These occasions may include:

- where the supplier has offered a one off discount to receive payment early
- where the incorrect invoice date has been entered

- Where delay in payment of an invoice will be detrimental to the supply of goods/services
- On these rare occasions, it is possible for the Payment terms to be changed. An email request should be forwarded to Suppliers@lincolnshire.gov.uk along with the relevant reason. Please ensure to quote Payment Terms Change Request in the subject of your email.

B3.12 Invoice Processing Via Business World

Once an invoice is received and matches a goods receipt the invoice be processed without further intervention.

B3.13 Prime Account Schools

Please note the same principles should be applied to those schools who hold Prime Account status.

SECTION B4: Contract Regulations

G4.1 Introduction

Guidance on Procurement Contract Regulations are available on the Council's external website under the following link:

[Contract and Procurement Procedure Rules](#)

SECTION B5: Procurement Card

G5.1 Introduction

Information on the Procurement Card is available on Perspective Lite under the following menu path:

Schools Finance Team > Procurement Card

SECTION B6: Leasing and Rental Agreements

G6.1 Leasing

International Financial Reporting Standards (IFRS) are a set of accounting rules and standards that must be adhered to. IFRS16 was introduced on 1st April 2024 and set out a new lease accounting model.

Previously leases were defined as either a Finance Lease (which are generally over a longer period of time and the sum of the rentals normally includes the full capital cost of the item leased plus interest accrued) or Operating Leases (which are generally over a shorter period of time with no purchasing options at the end of the lease).

Maintained Schools are not allowed to borrow money or go overdrawn except in specific circumstances including where there is written permission of the Secretary of State (via Lincolnshire County Council). The exemption is Foundation schools whose borrowing does not form part of the Government's accounts and therefore can borrow, although debts cannot be serviced from the delegated school budget (i.e. the school cannot use the main school budget to pay for financing costs).

Guidance should be sought from Financial Services before entering into an agreement if there is any question about the nature of the lease.

Following the introduction of IFRS 16 which effectively removes the distinction between operating and finance leases, all leases are now considered to be finance leases.

To avoid every lease requiring Secretary of State approval, the Department for Education (DfE) has issued a General Consent in respect of schools leasing which means Maintained schools do not need to apply for Secretary of State approval for a lease involving any of the following categories:

- IT equipment (including photocopiers)
- telephony
- catering and cleaning equipment
- furniture
- bathroom / sanitary equipment
- gym equipment
- ground keeping equipment
- LED lighting system - consent is granted where the product has been sourced with support from the DfE through [Get help buying for schools](#) or from a recommended route on our [Find a framework](#)
- minibuses and other vehicles for school use
- temporary classrooms and equivalent structures (but not land leases they sit on, which may require separate consent).

The DfE has stated that the list will be kept under review following implementation, and the relevant guidance and documents are being updated accordingly. Any leases for assets not included in the above list will need to be submitted for consent. In the main, the DfE believe these will be leases in relation to land and buildings.

The link to the DfE information around this change to leasing can be found in the following link: [Changes to leasing agreements for maintained schools - GOV.UK](#)

Financial Services will contact schools via email, around October each year and ask you to complete a Microsoft Form for each lease that you currently have in place, and to inform us about any plans you have for new leases for the remainder of the financial year.

Once your information has been received, Financial Services will determine whether each lease will be capitalised and included on the Balance Sheet of Lincolnshire County Council, or whether it falls within the exempt category and will continue to be treated as a revenue expense.

The council treats leases as exempt that are:

- Short-term leases, which are leases with a lease term shorter than 12 months at the commencement date of the lease. Any lease which includes an option to purchase cannot be treated as a short-term lease for this purpose
- Low value leases where the original value of the underlying asset is low. The Council has determined to adopt a value of £10,000 and below, as this is aligned to the Council's existing capital de minimis policy. In determining the value of an asset, recoverable VAT will be excluded

An initial review has identified that the following types of assets are likely to be low value items under this definition:

- Small office equipment items such as photocopiers and franking machines
- Other small equipment such as water coolers and vending machines

If you have any queries about leasing, please contact finance@lincolnshire.gov.uk

G6.2 Hire Purchase / Deferred Purchase

These arrangements are "loan agreements" whereby the assets are owned by the school but payment for the asset is deferred or made by credit over a set period of time. These arrangements are accounted for on the Balance Sheet of the County Council.

Any queries should be directed to the Property Team on: CorpoatePropertyTeam@lincolnshire.gov.uk

SECTION B7: IR35 (Temporary Worker Legislation)

G7.1 Introduction

Under the off-payroll working (IR35) legislation, responsibility for determining whether the IR35 rules apply now sits with the school as the engager, rather than with the individual worker. The school must assess the employment status of the engagement and determine whether the off-payroll working rules apply.

Where an engagement is determined to be inside IR35, responsibility for deducting income tax and employee National Insurance Contributions, and for paying employer's National Insurance Contributions and the Apprenticeship Levy (where applicable), rests with the fee-payer. The fee-payer may be:

- The school, where an individual is engaged directly
- An agency or other third party, where the worker is supplied via them.

These requirements apply to off-payroll working arrangements, including individuals engaged through personal service companies (PSCs), consultants operating through intermediaries, and other similar arrangements.

Each engagement must be assessed on a case-by-case basis. Failure to comply with the off-payroll working rules may result in financial penalties and associated tax liabilities being imposed by HMRC on the school.

Further guidance please contact the HR / Admin Payroll Team at Lincolnshire County Council.

B7.2 IR35 Suppliers

Where a supplier or engagement has been identified as falling inside IR35, the IR35 Worker New Starter Form must be completed and submitted to HR by the Headteacher or Bursar.

HR will arrange for the supplier to be set up on the system. Once set up, a requisition can be raised and authorised in the normal way using this supplier number.

The supplier should submit invoices to invoices@lincolnshire.gov.uk, where they will be processed in Business World. Income tax and employee National Insurance Contributions will be calculated and deducted from the invoice before payment is made to the supplier.

Please note:

The school budget will be charged for:

- The gross value of the invoice, plus

- The associated Employer's National Insurance contribution (and Apprenticeship Levy where applicable).

G7.3 Prime Account Schools

Please note the same principles should be applied to those schools who hold Prime Account status.