



BAXTER BULLETIN

Cabinet Office Policy Note – Supplier relief due to COVID-19

This Baxter Bulletin is written in circumstances that would have been almost unimaginable just a short time ago. May we start by expressing our sincere hope that you, your families, colleagues and students are and remain in good health.

We have fielded some queries recently regarding payments to suppliers where the supplier has asked for payment in advance or other cash flow support. We have located a policy note issued by the Cabinet Office which you can access [here](#). The primary purpose of this bulletin is simply to make you aware of the policy. Please read the Policy Note itself as we believe that many academy trusts will face such requests from at least some of their suppliers.

We have summarised below some of the key points in the policy that attracted our attention;

- Put in place the most appropriate payment measures to support supplier cash flow; this might include a range of approaches such as forward ordering, payment in advance, interim payments and payment on order (not receipt).
- Ensure invoices submitted by suppliers are paid immediately on receipt.
- With significant levels of staff absence possible, ensure you have appropriate contingencies in place including sufficient numbers of staff with delegated authority.
- Verify an invoice as quickly as possible and do not send invoices back for minor administrative errors and risk causing delay in payment. Continue to undertake necessary checks, however look to resolve any issues as a matter of urgency and reconcile any minor discrepancies in information at a later stage.
- Managing Public Money prohibits payment in advance of need in absence of Treasury consent (ESFA consent in the case of academy trusts) as this is always novel contentious and repercussive. However, in the circumstances, Treasury consent (and hence presumably, ESFA consent) is granted for payments in advance of need where the Accounting Officer is satisfied that a value for money case is made by virtue of securing continuity of supply of critical services in the medium and long term. This consent does not alleviate Accounting Officers their usual duties to ensure that spending is regular, proper and value for money or to conduct appropriate and proportionate due diligence to ensure such payments are necessary for continuity of supply of critical services.
- Continuing to make payments to at risk suppliers will present risks including that, despite these exceptional actions, a supplier may still become insolvent. These risks will need to be managed on a case by case basis.
- Suppliers in receipt of public funds on this basis during this period must agree to operate on an 'open book' basis.

The key message seems to be that public sector organisations are key to the Government response to the economic challenges faced by private sector businesses and the focus seems to be firmly on business continuity and hence on preserving jobs. Each case must be considered on its merits and if you face such circumstances, you should formally record the decision taken, the reasons and justifications for it and why such payments are considered to be in line with the policy.

Again, please ensure that you read the guidance fully before making any such payments. The range of individual circumstances and the level of subjectivity involved will probably preclude us giving specific advice in any given case – we have to be mindful that as auditors we cannot become an active participant in the decision making process regarding individual transactions.

Generally however, our advice is that if you can justify such payments to suppliers, within the policies set out in the policy note, record the justification, including risk assessment, and make the payment, having followed the steps described in the policy. If the payment is not within the policy, or if the risk is judged to be too great, it should not be made. We anticipate that there may be many grey areas in individual cases and where you are unable to determine whether a proposed payment is within the guidance, we recommend that you raise a query with ESFA, particularly if the amount involved is substantial, on the grounds that it may be novel, contentious and/or repercussive.

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