

**London Borough of Hillingdon**

**Schools Finance Team**

**Guidance to Schools on  
Financial Management**

**December 2019**



**HILLINGDON**  
LONDON

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## Introduction

Hillingdon Borough's treasurer has a duty, under S.151 of the Local Government Act 1972, to ensure the proper administration of the Council's financial affairs. In furtherance of this duty, the Treasurer is responsible for setting and monitoring compliance with current financial management standards and advising on the key financial controls necessary to secure sound financial management.

The Scheme for Financing Schools sets out the financial relationship between the Local Authority (LA) and its maintained Schools, and is a requirement under Section 48 of School Standards and Framework Act 1998. This document, the **Guidance to Schools on Financial Management**, provides a framework for maintained Schools to manage their financial affairs.

Paragraph 2 of the Scheme for Financing Schools requires that Schools manage and control their finances within the rules set out in the Guidance to Schools on Financial Management. This guidance document includes advice on schools' internal financial procedures, required formats for reporting to the LA, the full set of **LA Financial Regulations (Appendix 1)** and **Standing Orders (Appendix 2)** to which the Governing Body must adhere.

## 1. Budget Setting and Monitoring

### A. Budget strategy

1.1 The school's annual budget is a plan of the approved income and expenditure for the financial year. Governing bodies are obliged to prepare a forward projection of the school's income and expenditure for the immediate following year and at least two succeeding years. **3 year budget plans are produced so schools** are forewarned of long term trends that would not be apparent in a 1 year plan.

1.2 Schools are required to set a well-informed and balanced budget each year with a demonstrable link between the school's budgeting and its plan for raising standards and attainment. Each Governing Body should have **an overall budget strategy** for the school. A financial strategy does not need to be long or detailed. Rather, it should set out in a few short sentences, the principles on which the school's budgets will be set or the financial targets which the Governing Body wishes to attain. For instance, the following could be a reasonable budget strategy for a school.

**The Governing Body aims to:**

- **keep the budget balanced from year to year;**

- set budgets with the best information available and with a view to the effect of any decision on the school balances position at the end of the year and full-year commitments in the following 3 years;
- maintain budgetary control and reporting systems to allow effective monitoring of the budget position;
- ensure that sufficient unallocated resources exist at the beginning of the financial year to cover errors or unexpected commitments;
- have strong links between the school development planning process and the budget setting process.

## B. Budget timetables

1.3 Budget planning can only be effective if a clear process and timetable has been agreed by the Governing Body. The budget planning process is cyclical and because of its nature the processes for individual financial years will inevitably overlap. For instance, a budget overspend for one year needs to be addressed for the following year's budget.

1.4 The stages which need to be managed are:

I. A process of **information collection** about:

- A. the cost of committed expenditure for the following year, such as:
1. the cost of permanent staff
  2. the basic cost of running the premises
  3. the cost of other unavoidable expenses
  4. reviewing the current year's budget and identifying whether there are any items which have an impact on future years.
- B. The potential cost of new or variable expenditure for the following year, such as:
1. the costs of projects identified in the school development plan
  2. the likely numbers of pupils in each year group and the implications this will have for the organisation of classes
  3. the likely additional staffing required to meet the needs of pupils with statements and expansion or additional intake programmes
- C. The broad range of the level of resources available to the school for the following year, taking account of:
1. the likely level of balances which the school will have at the end of the financial year
  2. the effect of changing pupil numbers on the formula allocation
  3. the effect of any other changes in the school's formula data, or in the formula itself
  4. the effect of any increase (or decrease) in the overall level of funding for schools

- D. Identifying tentative options and implications for the school's budget for the following year, in general terms considering:
    - 1. worst scenario
    - 2. best scenario
    - 3. best guess scenario
- II. A process of **determining the school's original budget** for the financial year. This will include:
- A. determining priorities on the basis of indicative budgets received from the LA
  - B. agreeing the final budget at a meeting of the full Governing Body
- III. A process of **budget monitoring and review** during the year which will:
- A. verify that any savings agreed by the Governing Body are being achieved.
  - B. identify whether projects or commitments, where the actual costs were not known at the time the budget was agreed, are being contained within the approved budget
  - C. identify any new service or budget pressures which may require supplementary budget approval
  - D. identify any areas of budget underspend which may increase the planned balances for the school
  - E. reviewing later in the year whether the unallocated resources earmarked at the beginning of the year have been required and whether they can be diverted to other priority projects from the school development plan
  - F. measuring planned outcomes against actual
  - G. ensuring best value has been achieved
  - H. benchmarking income and expenditure annually against that of similar schools

1.5 These three stages will merge into each other at some points, but broadly the timetable is likely to be:

**i) Information collection** - during the previous financial year, taking account of inflation and other likely cost changes for forthcoming years.

**ii) Determining the school's original budget** will be done at the first meeting of the Governing Body after the final budget share is notified to the school by the LA. This will mean Governing Body meetings should be time-tabled accordingly to approve budget plans by the end of May each year.

**iii) Budget monitoring / review:** Governing Bodies should receive clear and concise monitoring reports of the school's budget position at least termly to allow review of income and expenditure. Variances, overspends and underspends should be considered, areas of concern discussed and addressed. The LA confirms the school's balance to be carried forward by the end of June. The

monitoring of one year's budget will be part of the information collection process for the following year.

## **Budget preparation**

1.6 Most of the detailed work relating to budget preparation and options will be completed by the school staff, with governors taking an overview of the process and taking the final decisions. The School Finance Team is available to assist schools in preparing their budget for the year and in using **SBS Online** Budgeting Software (where schools have bought this service).

1.7 For a school, budgeting need not be complicated. Budgeting is only a means of spending money in a planned way. Schools may wish to consider the following issues relating to budget preparation.

## **C. Levels of balances**

1.8. The LA has advised for the past few years that it is entirely appropriate for schools to keep prudent year-end balances but that Revenue balances should not be significantly higher than 8% for nursery, primary and special schools and 5% for secondary schools. This is calculated by taking the revenue surplus as a percentage of the sum of revenue income for the year plus revenue brought forward from the previous year. At year end a review of the actual end of year outturn against budget projection should take place to check that balances are at a reasonable level and that there are clear plans for use of these balances. Balances should only be held surplus to thresholds i.e. 8% or 5% if specific projects are planned.

The following should be borne in mind:

- Schools should always leave aside a level of unallocated resources at the beginning of the financial year to cover **in year adjustments to funding where estimates have been used**, potential errors or unexpected commitments.
- Schools should draw a distinction between the level of unallocated resources at the beginning of the financial year and the amount they wish to have at the end of the financial year. Given that one of the reasons for holding such funds is to meet unexpected in-year commitments, there is no reason not to release such funds for priority projects when it becomes clear later in the year that no unexpected pressures have emerged. It is inadvisable for schools to have a target closing balance of less than 5% as pressures may emerge after the end of the financial year.
- Excessively high balances should be avoided by schools, except where the size of the balance is directly attributable to the school saving for a specific project. Where this is the case, schools should be able to demonstrate lower levels of balance in the following year, to reflect the expenditure on the project.

- Governors should take account of the political implication of having high balances. This means that it is difficult for schools to argue for more funding while schools have large balances.
- It is **not advised** that governors have as their budget strategy, whether overt or otherwise, to maximize the school's balances. Public sector organisations are funded to provide services; not to maintain an overly healthy bank balance.
- Governors need to determine their own strategies for levels of balances, considering the risks attached to the one they decide to adopt. The key point is that the level of balances should be the result of conscious decisions, rather than something which just happens.

## D. Other budget matters

### Financial year

1.9. It is often argued that schools should be funded on an academic year basis, rather than the local authority's financial year. There is logic to this, but for schools within the local government sector, whose financial year begins on 1st April, this is unlikely to change.

1.10 The current arrangements do, however, have their merits. Although many infant schools have to treat each term differently, most school provision lasts for the whole academic year. This means that schools have 5 months between receiving their budget and effecting any major changes in their service levels. Of course, the disadvantage is that where a school has to reduce expenditure, the part-year effect increases the overall level of service which needs to be reduced to achieve any saving. This is one of the main reasons why schools have year-end balances, i.e. to act as a cushion against potential budget reductions in the following year.

### Types of budget approval

1.11. When governors set a budget, the figures against each of the types of expenditure may have been approved for different reasons. Governors may wish to draw a distinction between two types of budget approval.

- a) **Approval to buy units of service.** In many cases the Governing Body may be agreeing to buy 8.7 teachers or a computer package or a window cleaning service etc. Although the governors will have an idea as to the cost of these services, the actual costs may be different to the estimated costs due to pay awards, prompt payment discounts, or small print surcharges. Nevertheless, when governors approve the budget figure for these items, it is the service which has been approved rather than the cash amount. It would be expected in these circumstances that any costs greater than budget would need to be incurred and that any savings would be reported to the Governing Body for allocation elsewhere.



b) **Approval to spend.** With many budget heads the Governing Body is agreeing that a maximum amount can be spent on this type of activity. Thus, a budget for books or building maintenance may be a total available for spending on these areas. In this instance, an overspend would not be expected.

1.12 These budget types are obviously extreme cases and most budgets will be a combination of both types. Governors may, however, find it a useful analysis tool for clarifying exactly what they are approving when setting a budget.

### **Virements**

1.13. The Governing Body should clearly identify the powers which it confers to the headteacher and any finance sub-committee for budget virement. Using the SIMS computer system as an example it will be impossible to raise orders for goods and services from budget heads which have insufficient funds. For this reason it is advised, from a practical perspective, that governors will give their headteacher authority to vire **at least £5000**. Mechanisms for reporting decisions to the Governing Body need to be included as part of this delegation for it to be effective.

1.14 A further reason why governing bodies should allow the headteacher to vire is that, if virements are not allowed or the process for making them is lengthy, school staff may be forced to code expenditure to a heading where budget approval exists, rather than to the correct expenditure heading. This will distort the accounts of the school and budgeting for future years will be based on incorrect historical information.

## 2. Accountancy and Financial Reporting

### A. Local Government Finance

2.1 The financial arrangements for schools operate within the context of the local government accounting framework. The principles on which local government accounting is based are:

- The financial year runs from April to March.
- Expenditure and income is accounted for in the period to which the service relates or the goods were received. This is known as accruals accounting.
- Expenditure and income should be accounted for on a consistent basis from year to year. For example, if supply teacher costs for March of the old year were not paid until April of the new year, the decision over whether to charge the costs to the old year or the new year should be consistent from one year to the next.
- Expenditure and income should be accounted for with more emphasis on substance than on the form of accounts. This means that the accounting arrangements should not introduce any artificial groupings of costs in order to meet a particular format of accounts.
- Expenditure and income should be reported in the financial accounts of the authority in a format which allows both objective and subjective analysis. An objective analysis would identify how much had been spent on schools and how much on elderly persons' homes. A subjective analysis would identify how much had been spent on salaries, how much on transport, how much on premises related expenditure etc.

2.2 There are a number of accounting requirements particular to schools and their delegated budgets:

- The delegated responsibilities of schools must be clearly defined in the Section 251 Statement and funds should be distributed through a formula.
- Schools' budgets must be set prior to the 1st April of the financial year to which they relate and published by the LA in a Section 251 Statement of schools' budgets.
- Schools' budgets cannot reduce in-year except for these specific circumstances:
  - a) Where funding for a statemented pupil has been included in the school's budget and the pupil to whom that funding relates leaves the school, or their circumstances change.
  - b) Where the Governing Body permanently excludes a pupil, the funding for that pupil for the remainder of the financial year is deducted from the school's budget.

- c) Budgets based on estimated pupils at the start of the financial year adjusted to actual pupil numbers e.g. Early Years Single Funding Formula.
  - d) Ring fenced funding where estimates are made at the beginning of the financial year e.g. PE & Sports or Pupil Premium.
- Unspent balances at the year-end are carried forward to the following year.
  - At the year-end the LA must publish (in the Section 251 outturn statement) the total funds made available to each school in the previous financial year and their carried forward balance.

## B. Accruals, Commitment and Cash Accounting Explained

2.3 Schools' financial accounts will be prepared on the basis of accruals accounting. Therefore income is matched with associated expenditure. In summary, accruals accounting requires that

- Income is recognised at the point when it is due to (i.e. receivable by) the school, regardless of whether or not any cash associated with the transaction has actually been received and
- Expenditure is recognised at the point when the relevant goods and services are supplied, regardless of whether or not an invoice has been received or payment has actually been made.

2.4 To minimize the number of transactions transferred to the local authority's general ledger and to allow a reconciliation of the bank account with spending, accruals information is only required at the end of the financial year (and by consequence, at the beginning of the following one).

### Application of Accruals Accounting to Expenditure

#### Example one: Accruals Accounting compared to Cash Accounting

2.5 A school's electricity bill for the quarter ended 28 February 2019 amounts to £6,000. The bill is received in March 2019 and paid in full in April 2019. What is the effect on the annual financial statements to the year ended March 2019?

2.6 Since the bill relates to the quarter ended 28 February 2019, the **£6,000** cost must be recognised entirely within the year to March 2019, regardless of not being paid until after the end of the year. Although cash was spent after the year, the supply was made in the year. Therefore the liability will be recognised in the year by including an outstanding liability in the accruals list provided to the LA at year-end.

#### Example two: Recognising Costs by Estimation

2.7 Taking the particulars from example one above, it may be assumed that electricity is supplied evenly over the three month period to 28 February 2019, at

**£2,000** each month. The school should therefore recognise a further cost of **£2,000** for the month of March 2019. It will eventually be billed to the school in June 2019, but the cost will need to be recognised earlier. An estimate of **£2,000** will be recognised in the year by accruing the amount owed to the electricity supplier, and the expense would be increased by the amount estimated as owed, thereby recognising the total amount supplied and therefore incurred. The accrual may have been calculated by reference to a meter reading, at the year end date, or any reasonable basis.

2.8 Again, the liability will be recognised in the year by including an outstanding liability in the accruals list provided to the LA at year-end.

### **Example three: Recognising Costs Prepaid**

2.9 *A school's insurance bill for the year ended 31 January 2020 amounts to **£12,000**. The bill is received in February 2019 and paid in full in March 2019. What is the effect on the financial statements to March 2019?*

2.10 Since the bill relates to the year ended 31 January 2020, the **£12,000** cost must be recognised entirely within, and evenly spread throughout, the year of insurance cover. The school must recognise a cost of **£1,000** in each of the 12 months from February 2019 to January 2020. Only **£2,000** will be recognised in the Income and Expenditure Account, even though **£12,000** has been paid. Therefore **£10,000** of the bill will be set aside (prepaid) to the following financial year.

2.11 The prepayment will be recognised by including an outstanding debtor for **£10,000** in the accruals list provided to the LA at year-end.

### **Example four: Accruals Accounting compared to Commitment Accounting**

2.12 In example one above the difference between costs incurred (whether paid or not) and costs paid is illustrated. The principle of accruals accounting is appropriate to a school's accounts, but should not be confused with commitment accounting. In the latter type of accounting a commitment is defined as the value of goods ordered in an accounting period irrespective of whether the goods had been received in the period.

2.13 For example, goods are ordered by the school on 20 March, the supplier delivers on 2 April and the invoice is paid on 30 April. In the financial statements to 31 March, a cost was not incurred until 2 April; therefore by applying accruals accounting there is no expenditure in the year. The commitment does not crystallise into a cost incurred until 2 April.

### **Conclusion**

2.14 The local authority requires schools to prepare accruals information (outstanding liabilities, outstanding debtors, payments in advance and prepayments received) only at the end of the accounting period i.e. the financial year. During the

year, it is expected that schools will operate a commitment accounting system, using their own financial systems, to assist with their financial monitoring arrangements. The local authority will, nonetheless, only require to see the actual cash transactions (and any adjusting journals) during the year.

2.15 A number of schools have stressed the importance of in-year accruals, but in practice a commitments approach in-year is a more useful management tool, rather than a strict accruals approach, which is more appropriate for year-end. Governing bodies have the discretion to use whatever approach they are most comfortable with.

2.16 Schools should submit their quarterly returns on an in-year accruals basis if the original profiled budget statement was submitted on an in-year accruals basis.

### **Application of Accruals to Income**

2.17 Any budgets allocated to schools, whether delegated or earmarked, are authority to spend, rather than income. The payments into the school's bank account are cash advances against the allocated budget and should not be treated as revenue income by the school, unless specifically permitted to do so.

## **C. Management and Accountability**

2.18 Schools' accounts are used, broadly speaking, for two purposes:

- a) **Management of resources:** Financial information needs to be collated and interpreted in order for school staff, the Governing Body and the Authority to be able to take appropriate decisions about the school's budget.
- b) **Accountability:** Individuals and bodies responsible for schools' budgets are accountable for the decisions which they have taken and this needs to be demonstrated through the publication of financial information. For instance, the school needs to ensure that it provides information to the Authority in the format it requires and the headteacher needs to present information to the Governing Body.

2.19 The different purposes of the information mean that its format is different. Each Hillingdon school has two accounting systems which broadly aim to meet the two separate aims of accounting information. 'Oracle' is the Authority's mainframe financial computer application which prepares all of the financial information required by the **Corporate Director, Social Care** for his/her purposes. The financial application of SIMS (Schools Information Management System) is a specialist programme for schools to enable them to manage their own budgets; this is used by all maintained schools in Hillingdon. The Oracle system is used for preparing the statutory accounts for all schools, whereas each school's own system is used for preparing management reports (including the reports which feed into the Oracle system to allow the preparation of the authority's consolidated accounts). This

distinction is important to remember as it lies at the heart of the reason for having two systems and it explains why we should not expect either system to meet both aims of keeping accounting information.

## 2.20 A model of good practice for schools would be:

### Management accounts

- Annual budget statement for Governing Body, profiled monthly for internal use
- Monthly budget statement for headteacher
- Monthly cash flow statement for headteacher
- Budget monitoring statement for Governing Body / Finance Sub-Committee at least every term
- Annual outturn statement for Governing Body

### Financial accounts

- Local Authority produces Section 251 Budget Statement.
- Governing Body statement to LA identifying budget plans for the year.
- Local Authority produces Section 251 Outturn Statement
- Local Authority produces its Annual Statement of Accounts.

## D. Reporting Requirements

2.21 Schools are required to provide the following financial information and reports to the timetable and in the format identified in **Appendix 4**. They should be sent to **Schools Finance Team, 4W/04, Civic Centre, High Street, Uxbridge, Middlesex UB8 1UW**.

2.22 Schools are required to account for income and expenditure on a fund or objective cost-centre basis. Each school may have as many such funds as it wishes but, for reporting to the LA, a distinction needs to be drawn between the school delegated and devolved budget and other specific devolved budgets e.g. all capital projects (including Devolved Formula Capital). It may be, for instance, that an individual school may wish to have a separate fund for statemented pupils or specialist resourced provision, but in the reports to the local authority, while the funding for statemented pupils is a delegated responsibility, the school should include this expenditure as part of the total for the delegated budget. Equally, the school may wish to have a separate cost centre for earmarked sums such as Pupil Premium or PE & Sports Premium funding, but in the reports to the local authority, the school should include all expenditure as part of the total expenditure for each subjective analysis code.

2.23 In any reports to the local authority, with the exception of cash flow forecasts and bank account reconciliations, all budgets should be treated as “**authority to spend**” rather than general income. It is advised that budget allocations from the

local authority, whether for delegated or earmarked funds, are reflected in the budget allocations of the computer accounting systems, rather than as income in the revenue account.

2.24 The aim is to identify a school's net expenditure against its budget allocations and at year-end, detail Net Expenditure broken down by Capital and Revenue, taking into account balances brought forward from the previous accounting year.

2.25 Just as a school would not reflect the transfer of, say, **£500** from one bank account to another, as a transaction to be reflected in their revenue account, the Authority does not regard transfers of cash to school (technically, L B Hillingdon) bank accounts as revenue transactions. An explanation of how cash advances operate is in **Appendix 3** and the **Scheme for Financing Schools** includes a description of the approach to be taken in **Section 3**.

2.26 **Appendix 4** shows a **Timetable for financial reporting**.

2.27 **Appendix 5** shows a **3 year Budget Plan** for the year. Schools will be notified of their budget share before 1<sup>st</sup> April of the financial year. By 31<sup>st</sup> May, Governing bodies are required to have met to consider the allocation of the delegated and earmarked budgets which are the responsibility of the school. This report is required to verify that each Governing Body has fulfilled its legal responsibility to set a balanced budget and to allow the LA to monitor each school's net expenditure patterns against these plans. (See also **Section 2.3** of the **Scheme for Financing Schools**)

2.28 **Quarterly Financial Return** – schools are notified of the reports required in the Schools Finance Returns Timetable each year as in **Appendix 4**. These will need to be returned with bank reconciliation for the period.

2.29 **Capital monitoring is** carried out quarterly. Schools complete capital returns to show current capital income and expenditure to date. The return also requires forecast of expenditure for the remainder of the financial year and estimates for the following two years are requested.

2.30 **VAT Report** A summary of transactions identifying the VAT paid on invoices or included in income is required. The summary must reconcile with expenditure totals and with a summary of input and output VAT at each of the prevailing VAT rates (currently: zero, exempt, 5%, 20% & outside the scope). Such a report should be produced automatically by each school's computerised financial system.

2.31 The **Corporate Director, Social Care** reserves the right to insist on individual governing bodies providing financial reports including cash flow on a monthly timetable if:

- a) deadlines are not met
- b) standards of reporting are not as specified in this document; or



c) The financial position of the school is a matter of concern to the **Corporate Director, Social Care.**

2.32 **Year-end Returns** (Accruals basis). At year-end each school is required to submit a detailed return on their actual income and expenditure. Information on remuneration and leases will also be required for inclusion into the LA's Statement of Accounts. Schools will be notified of the reports required from SIMS FMS in the Year End Guidance document issued annually by the Schools Finance Team. Non FMS schools will be required to provide equivalent reports. In addition to cash transactions during the year, this return will also include all accruals relating to the financial year in question and the reversal of all accruals set up at the end of the previous financial year. The Schools Finance Team will need details of any outstanding liabilities and outstanding debtors at year-end for audit purposes. Schools not using SIMS FMS are required to provide this return in a clear format which identifies the CFR codes to be used in the Council's return to the DfE.

2.33 **Appendix 6** shows a **Coding List** which illustrates the current coding structure to be used in reports.

2.34 **Write-Off of Irrecoverable Debts.** An annual report is required listing the debts written off by governing bodies under delegated powers. Nil returns are **not** required. If a school has written off debts during the previous financial year, the Governing Body should notify the **Finance Manager - Social Care** by **31<sup>st</sup> May** each year. (See **Section 2.1.6** of the **Scheme for Financing Schools**). There is no set format for this report. For debts over **£500** approval of the **Finance Manager - Social Care** is required.

2.35 **Local Government Pension Scheme and Teachers Pensions Scheme** Governing Bodies of maintained schools whether or not the employer of the teachers and non-teaching staff who has entered into any arrangement or agreement with a person to provide payroll services shall ensure that any such arrangement or agreement is varied to require that person to supply salary, service and pensions data to the Authority which the authority requires to submit in its annual return. The timing, format and specification of the information required is stated in **Appendix 11.**

## **E. Conversion to Academy**

2.36 Applications from schools for conversion to Academy status are approved under the Academies Act. Once approval is confirmed the Local Authority is required to pay over the school's surplus to the academy. The LA has three months from the conversion date to determine whether the school has a surplus and, if so, the amount of the surplus. During this process the schools bank account mandate must include at least one LA officer who will authorise any expenditure from the closed schools accounts. The school that is closing to convert to Academy will be required to effect this change.



On determination of the final balances for the school, a letter of agreement will be sent by the LA to the Chairman of Academy Trust to confirm balances and agree to honour any future liabilities for the closed school should they arise. Confirmation and evidence is required for the closing of all maintained school bank accounts. If an academy does not agree with the final closing balance, it has a month to apply to the Secretary of State for a review. Once agreement on the amount is reached, the LA has one month in which to pay over this surplus. The successor academy will need to support the authority's closure process if these timescales are to be met.

## 3. Financial Control

### A. What is financial control?

3.1 When auditors visit schools they are in most cases primarily concerned that financial controls are in place and are operating effectively. They want to be reassured that the school has systems and procedures in place which:

- a) ensure that all transactions are properly administered;
- b) ensure that no transaction fails to be recorded;
- c) put no individual in a position where they may be open to allegations of financial impropriety;
- d) allow all financial decisions to be reviewed and any prime documents to be examined.

3.2 Financial control is essential if an organisation is to be sure of its financial position. Without knowledge of the financial position, it would be impossible to commit any resources with the certainty that those resources were there. To ensure that the financial position can be ascertained, it is necessary for organisations to introduce a range of measures which broadly come under the heading of financial control.

- A written set of delegated powers and authorisation limits
- A written set of financial procedures (including those related to computer applications for finance)
- Security of assets
- Record keeping
- Audit trails
- Internal check

3.3 Each of these items will be considered in turn and the detailed guidance on the main systems for expenditure and income are included in **Sections 4 and 5**.

### B. Delegated powers

3.4 Section 1 of the **Scheme for Financing Schools** refers to the need to delegate power to sub-committees and to the headteacher. The Governing Body cannot, from a practical perspective, run the school on a day-to-day basis and each Governing Body needs to decide what authority it wishes to delegate to sub-committees of the Governing Body and to the headteacher. The headteacher, in turn, needs to determine what responsibilities should be further delegated to other school staff.

3.5 The existence of written delegations of authority should avoid any lack of clarity about who has the power and responsibility to do what.

3.6 It is for Governing Bodies to determine for themselves what arrangements are most suitable for them. It may be appropriate to review from time to time whether the arrangements continue to be appropriate where circumstances change. For instance:

- where the delegation arrangements are seen as a cause of poor budgetary control, or:
- where the delegation arrangements were proving to be a real constraint on the effective day-to-day financial management of the school by the headteacher.

## **C. Financial procedures**

3.7 In many organisations, systems are initially established, but as circumstances change, the systems change and develop. Often, where staff have been in post for many years, the changes are made but no record is made of this and practices develop with all the valuable knowledge about how they work existing only in the heads of key staff. Systems can operate efficiently for years under such circumstances, but when key staff are absent or leave, the organisation is likely to experience difficulties re-establishing what the exact procedures are.

3.8 Written procedures, however, are not only necessary to avoid problems when key staff are absent. Documented procedures which the organisation has in place for making financial decisions and performing financial transactions are needed to:

- allow internal assurance that such systems exist and are sound (e.g. Governors and headteacher)
- allow external assurance that such systems exist and are sound (e.g. internal and external auditors, HM Revenue & Customs, Inspectors, LA)
- assist in identifying any gaps in procedures
- review the appropriateness of existing procedures against new circumstances
- serve as a training resource for new staff
- serve as a reference document for staff operating the systems
- serve as a management tool for reviewing staff performance

3.9 It is good practice to have procedure notes on all financial systems, including having user manuals and technical manuals available on any computer application which is an integral part of the schools' financial systems. The procedure notes should not refer to individuals by name; rather they should use job titles. This reinforces the fact that systems should rely on the roles and responsibilities of posts, rather than on individuals.

3.10 Financial procedures should be kept up-to-date and the procedures themselves (rather than the notes of them) should be kept under review.

3.11 Sections 4 and 5 of this document set out detailed procedures on main systems which schools can use as a basis for their own procedure notes.

## D. Security of Assets

3.12 All assets in LA schools bought by a school's delegated budget, or by LA funding, or government grant funding, remain the property of the London Borough of Hillingdon.

3.13 The Governing Body is responsible for the management of the school's resources which include the custody and control of stocks and stores and the maintenance of a record of stock receipts and issues.

3.14 An inventory must be maintained for all items with an original purchase price of **£250** or more. Details recorded must include order numbers, date of purchase, serial numbers and value. The inventory must be regularly updated in respect of purchases and disposals. It is recommended that a copy of the inventory is kept at a safe place other than on school premises.

3.15 Items that are particularly attractive and portable, valued at **£250** or more should be marked with security paint or in some other way to deter theft.

3.16 Governors have delegated authority to dispose of items valued at **£5,000** or less which become obsolete or surplus to the school's requirements. The Governing Body must be in a position where it can demonstrate that it achieved best value for the school (which will normally mean that it has been sold to the highest bidder), the income being retained by the school. The Governing Body (or the headteacher if delegated) must authorise the write-off of these items. The approval of the LA's **Chief Financial Officer**, is required for the disposal of items valued at more than **£5,000**.

3.17 **Computer systems.** Specific measures need to be taken to protect computer systems; including maintaining the integrity of the data and ensuring that adequate disaster recovery procedures are in place. This will involve the following:

- access to the system should be password controlled;
- each member of staff with access to the system should have their own unique password;
- passwords should be changed periodically;
- remote backups of data should be made daily;
- an automatic system should be in place for the notification of backup failures;

## E. Record Keeping

3.18 When a financial decision is made or a process of verification is undertaken, it is an integral part of the decision or the process to record what has taken place. Without that record auditors or others have nothing to support the assertion that the financial transaction has been completed properly.

3.19 For instance, where a school has obtained a number of quotations from companies to supply a piece of equipment it is crucial for the school to keep:

- a copy of each of the quotations
- a declaration of interests (particularly financial) by any individual involved in deciding on the award of the contract (**Appendix 8** sets out a format for the **Declaration of (Business or Pecuniary) Interests**, as per **Section 2.9** of the **Scheme for Financing Schools**)
- a record of the decision as to which quotation was chosen and why.

3.20 Without these records it would not be possible to verify that the school had acted appropriately in awarding the contract to a particular company. Governing Bodies are particularly vulnerable to accusations of bias where the company awarded a contract is run by someone who is related to a senior member of the school's staff, or to a governor. Clearly, such situations can be avoided if no such company were to bid for the contract in the first instance. The LA, however, would not wish to debar any particular company from bidding for any contract on the grounds of any interests which an individual associated with the school may have; **the school must be able to demonstrate why any given company has been chosen though and follow the process in 3.19 above.**

3.21 The following records must be retained for the current financial year and for the previous 6 years, for inspection at any time by the Council's auditors and HM Revenue & Customs:

- copy orders
- paying-in slips/records
- signed delivery notes
- copy receipts for all income
- certified paid invoices
- bank statements
- copy remittance advices
- bank reconciliation statements including computer reports
- VAT returns
- Payroll information

## **F. Audit Trails**

3.22 The retention of documents is important, but prime documents need also to be easily retrievable and related documents must be easily identifiable. For instance, from the details about a cheque or Bacs payment, it should be possible to trace the invoice, the authorisation for payment of that invoice, the receipt of goods and the order for the goods. Documents should be filed logically, using references. If a number of documents are to be filed together e.g. order, delivery note, invoice, authorisation for payment and payment advice, records should be made of how each of the separate documents can be found. The financial management system

used by the school must be able to generate an audit trail report and this should be sufficient for most purposes.

## G. Internal Check

3.23 Internal check is provided by separating duties in such a way that no one person can initiate, authorise, conduct and record a transaction from start to finish without their work coming under the surveillance of at least one other person.

3.24 Routine checking can include inspecting stocks and cash balances, reconciling bank statements to the school's accounting system, checking input of supplier banking information in relation to Bacs payments, verifying cash and cheques paid into school bank accounts, as well as double-checking calculations or documents for accuracy.

3.25 Schools should bear in mind that separation of duties will only be a good control where one person in the system can exercise a real check on another person's work. For instance, where the headteacher is the one authorising the order, receiving the goods, endorsing the invoice and providing the first signature on the cheque, the second signature will be the last opportunity for any errors or problems to be detected. If the second signatory is the administrative officer, the school is putting that person in a potentially difficult position. If they detect anything untoward they are faced with the options of signing the cheque as their boss has asked them to, or finding a way of questioning the actions of their boss and possibly having to report their findings to another senior member of staff. This is the reason why the LA has consistently recommended that the administrative / finance officer is not one of the cheque signatories.

3.26 Where the two cheque signatories are both senior members of staff, this should, in most circumstances, meet the requirement that more than one person is involved in the ordering and payment system.

## H. Internal Audit

3.27 From time to time, Internal Audit (IA) carry out thematic audits in maintained schools. These cover a range of areas where there is a known risk. There remains an obligation for all maintained schools to appropriately manage risk and comply with the Council's policies including the financial regulations. Given that accountability for the internal control environment rests with School Management and their Governing Body, risk management, internal control and policy compliance should continue to be monitored appropriately within the existing school's governance and committee structures. However, it should be noted that, where there are sufficient concerns raised regarding practice or risk management, the council (via Internal Audit) retains the authority to carry out an audit of any Hillingdon maintained school at any reasonable time. In order to assist schools focus on financial controls and avoid potentially exposing schools to risks, the Schools

Finance Team carry out finance health check visits. These will generally take place every three years and will reassure schools that they have good financial management and adequate financial controls in place.

## **I. Schools Financial Value Standard (SFVS)**

3.28 All maintained schools are required to conduct an SFVS assessment once a year. SFVS is a self-assessment questionnaire aimed at Governing Bodies who have formal responsibility for the financial management of their schools. SFVS contains 29 questions which must all be answered. Governing Bodies must satisfy themselves that they have sound evidence in place to support the answers on their submission. The form also requires comments to further support answers and evidence to be held at school that can be viewed during an audit. The completed SFVS questionnaire is to be sent to the LA Schools Finance Team by 31<sup>st</sup> March each year.

Discussion on SFVS should be minuted and the questionnaire signed by the Chair of Governors before submitting to the Local Authority. Local Authorities will, in turn, report to the DfE on the self-assessments submitted and give assurance that they are taking the contents of these reports into account in planning their future programme of audit. LA internal audits **may** include review and testing of SFVS statements as part of their programme.

## **J. Fraud**

3.29 It is essential that schools are aware of fraud and put into place measures to prevent fraud internally and externally. It is important to bear in mind that schools are particularly vulnerable to fraud. This is more often than not due to the continued use of cheques to make payments - which can be intercepted or forged, the lack of effective separation of duties where one person often has too much control over the financial processes, or the failure to properly follow the procedures that are in place.

Identifying the fraud risk inherent within financial procedures that are being used, followed by the implementation of measures to prevent the fraud, as well as a periodic review of these measures to ensure they are operating effectively, is necessary to ensure that the likelihood of fraud is reduced. Schools should also consider implementing a policy on how they will manage the risk of fraud, together with a fraud response plan, which will guide staff on what to do if they think that the school may have been a victim of fraud. Advice is available from the Council's Business Assurance Counter Fraud Team.

## 4. Expenditure Procedures

The following procedures are recommended to Governing Bodies as good practice.

### A. Staffing

4.1 Schools must ensure that all salary and wages payments for both permanent and temporary staff are appropriately treated for tax, national insurance and superannuation. These include payments for:

- catering staff
- part-time lecturers
- piano tuners
- manual workers
- **clerks to governors**
- extra duties performed by existing staff members.

4.2 Where errors occur in the determination of the appropriate national insurance, superannuation and income tax deductions, these will be the responsibility of the school, including any penalties imposed by statutory **authorities**. Schools can avoid the responsibility for such errors and potential penalties by contracting with an agency which takes on that responsibility as part of the terms of the payroll contract. The school would then need to ensure that all payments to staff were processed through that contract. Information regarding payments to Teachers Pensions, Additional Voluntary Contribution's and Local Government Pension Scheme is provided in **Appendix 11** of this document.

4.3 Payment of invoices where cheques are raised to an individual should be processed as above through the contracting agency / appointed payroll processor / provider. The exception to this is where it can be proven that an individual is self-employed by obtaining the individuals Unique Tax Reference number and using the [gov.uk 'Check employment status for tax' tool](https://www.gov.uk/check-employment-status-for-tax).

4.4 The off-payroll working rules, IR35, can apply if a worker provides their services through an intermediary which could be their own personal service company. The rules make sure that workers, who would have been an employee if they were providing their services directly to the school, pay broadly the same tax and National Insurance contributions as employees. The school should use the [gov.uk 'Check employment status for tax' tool](https://www.gov.uk/check-employment-status-for-tax) to help decide if the off-payroll working rules apply.



## **B. Expenses**

4.5 Schools must ensure that all claims for mileage and subsistence allowances (i.e. where there is an agreed fixed rate) are appropriately treated for tax, national insurance and superannuation. However, if the claim is a direct reimbursement (for instance a bus ticket or receipt for a meal) and does not contain any element of allowance, then it may be refunded directly by the school i.e. by cheque, Bacs or through petty cash reimbursement.

## **C. Purchasing**

### **a. Raising Orders**

4.6 Subject to certain exceptions (short term supply teaching, urgent works and procurement purchase card items where a permission to spend form is used), an official order must be issued for all expenditure on goods and services.

4.7 All official orders must be signed by the headteacher/authorised officer.

4.8 An official order must be raised, signed and posted for any goods that have been ordered via the telephone.

4.9 A copy of all orders raised, including the authorised signature must be retained on file.

4.10 Where a new supplier is being used for the first time then the basic details should be entered in the accounting system such as address, telephone number, name of key contact etc.

### **b. Delivery**

4.11 Delivery of the goods should be checked by someone other than the person(s) who will be signing the cheque.

4.12 The delivery note should be checked, signed, dated and filed with the order.

### **c. Invoice Processing**

4.13 Invoices should be attached to the order and delivery note and details checked. Invoices should be processed on the financial management system and the cheque or Bacs payment raised.

4.13 Headteacher / cheque signatories / Bacs approvers / Procurement Purchase Card authorisers should examine the invoice and relevant paperwork and then sign the invoice to authorise payment before signing the cheque or approving a Bacs payment. If an order has not been raised, the budget from which the costs are being met must be recorded on the invoice.

#### **d. Signatories**

4.14 Two signatures on the cheque may be regarded as being evidence of a separation of duties in the system as do two authorisations for Bacs payments. Individual schools may wish, however, to satisfy themselves that the second signatory or Bacs approver provides an adequate control in the system. The test is whether the second signatory or Bacs approver can effectively check the work of the first. Any individual who is claiming expenses, which they have incurred themselves, must not be a cheque signatory or Bacs approver for that transaction i.e., it is bad practice for individuals to sign cheques or authorise Bacs payments to themselves, however legitimate the expenses may be.

4.15 Where the headteacher is claiming expenses, these should be authorised by the Chair of Governors.

#### **e. Bacs payments**

4.16 The introduction of Bacs payment systems creates new internal risks for payment of invoices. Central to controlling these risks is the accurate inputting of supplier bank account information. It is important that source documents from suppliers providing their details are kept on file and these be used for checking and initialled by a second member of staff. In addition ad hoc checks should be carried out and recorded.

4.17 It is recommended that separation of duties is put in place whereby the person processing invoice payments is not responsible for inputting suppliers' information.

4.18 As detailed in section 4.14 a minimum of two approvers, using bank smart cards, should approve each Bacs run to ensure adequate separation of duties.

4.19 Governing Body approval must be obtained before Bacs is implemented.

4.20 Extra care should be taken where requests are received to change bank details for regular suppliers. Always verify the source of any change of details requested by using a confirmed and recognised telephone number or with your usual contact. Have a clearly documented procedure so that all staff know how to handle any requests to change details, raise awareness with all appropriate staff, alerting them to Invoice fraud and test them regularly.

4.21 London Borough of Hillingdon's BACS Regulations and User Guidance can be found in **Appendix 15**.

#### **f. Procurement Purchase Card**

4.22 **Purchase Cards enable** schools to make online purchases. The Scheme for Financing Schools bars schools from entering into any credit arrangements, therefore the balance on purchase cards must be cleared in full at the end of each month by direct debit.

4.23 Governing Body approval must be obtained before purchase cards are used in a school.

4.24 London Borough of Hillingdon's Procurement Purchase Card Regulations and User Guidance can be found in **Appendix 13**.

## **D. Invoices - General**

4.25 Before a payment of goods/services is made, checks must be carried out to ensure that an official order was raised (when applicable), that the goods have been received, that they are of the correct quantity, quality and price and that they have not previously been paid for.

4.26 Amendments to invoices without VAT must be made in ink and initialled by the member of staff concerned giving the reason for the amendment (e.g. to show a deduction of discount). Invoices including VAT must not be amended other than an addition of name (see next paragraph). The supplier must be asked, when VAT is included, to provide a corrected invoice or a credit note. When VAT is included in the payment, the school must ensure that the invoice complies with all VAT requirements as per current Revenue & Customs Regulations.

4.27 Invoices should be addressed to the school (**and** must include 'London Borough of (or LB) Hillingdon' where they are to be forwarded to the LA for payment).

4.28 Any payment against a copy invoice should only be made if the invoice has been signed by the company as a "True and Certified Copy" and checks should be made to ensure that a payment was not made against the original invoice.

4.29 Payments should never be made against a statement. Where an original invoice has been lost, a copy invoice must be requested.

4.30 **Payments to building contractors included within the Construction Industry Scheme (CIS)**. Schools no longer come under the scope of CIS from 1<sup>st</sup> April 2007 if the contract is directly with the school paid for from the delegated budget. Schools however will need to determine whether a contractor is 'employed' or 'self employed'. See **Appendix 12** for more detailed guidance.

## **E. Petty Cash**

4.31 Payments from petty cash should be supported by either a till receipt or other relevant document.

4.32 Payments must be limited to minor items of expenditure which individually should not exceed **£100**.

4.33 Each bill should be attached to a petty cash voucher which should be authorised for payment. The member of staff being reimbursed must then sign the voucher to confirm they have received the money.

4.34 If petty cash is taken prior to the purchase of goods, it should be signed for on a petty cash voucher and the till receipt attached when received.

4.35 Petty cash expenditure should be keyed onto the school's computerised accounting system and it is recommended that each voucher is numbered as a cross reference and to aid filing.

4.36 Petty cash balances should be checked regularly, at least once each month and reviewed by a second member of staff. It is for the Governing Body to ensure that all cash balances are kept in a safe and secure place.

## **F. Value Added Tax**

4.37 A local authority is entitled to reclaim the VAT on expenses incurred in respect of certain services, determined by VAT regulations. The provision of educational services is one such service and this is why schools are able to reclaim the VAT element of their educational purchases.

4.38 The VAT regulations and their interpretation are, however, not straightforward and they change frequently. As a rule of thumb schools may reclaim the VAT element on all expenses incurred in the provision of educational services. This includes, for instance, any cost incurred on a school journey where the headteacher is willing to confirm that the purpose of the trip is educational.

4.39 For certain activities schools enter into a trading arrangement, such as buying plastic folders or calculators and selling them on to pupils. For these activities, the VAT in the invoice from the supplier can still be reclaimed, but VAT can only be avoided in cases where no profit is being made and the sale is via the classroom rather than via a shop set up within the school.

4.40 Where a supplier provides goods or services the payment for these should normally be via a VAT invoice. Small traders below the VAT threshold will not include VAT on their invoice.

### **4.41 Voluntary Aided Schools - Buildings Related Expenditure**

(i) The Governors of Voluntary Aided schools, not LBH, have the responsibility for their school buildings, built-in equipment, and alterations to the buildings and repairs to the exterior of the buildings. However, they are not responsible for:

- Maintaining playing fields or any building or other structure connected with their use

- School premises to the extent that the LA has directed that the school premises shall be used for purposes other than those of the school
- The provision of any new site that the LA is to provide by virtue of the School's Standards and Framework Act 1998 (Schedule 3, Part II, paragraph 4)
- Premises works under £2,000, exclusive of VAT.

(ii) LBH is not able to recover VAT when it pays for buildings related expenditure that is the responsibility of the Governors at a Voluntary Aided School.

(iii) Capital work where a grant is available from the DfE: The Governors of a Voluntary Aided School, unless registered for VAT, cannot recover the VAT on either expenditure funded from the 90% DfE contribution, or their own 10% contribution. Please note that the 90% grant from the DfE will be inclusive of VAT. The VAT on the 10% must be met by the Governors, although in some cases the particulars of the works may mean that they are zero rated for VAT.

(iv) The accounting for these works should be done through the governors' accounts.

**(v) For revenue maintenance and other running costs, where funding comes from the school's delegated budgets VAT can be recovered**, where it is excluded from the definition of capital expenditure due to it falling below the de minimus limit applicable, being the higher of:

- A de minimus limit set by the Governing Body of a VA school in accordance with a generally recognised published code.
- In the absence of a de minimis limit set by the Governing Body a de minimis limit set by the LA in accordance with the "CIPFA Code of Practice on Local Accounting in the United Kingdom". In LB Hillingdon this is £10,000.

VA schools cannot ***reclaim from the LA any VAT for any building works / expenditure on furniture, fixtures and fittings including ICT infrastructure and equipment / capital expenditure if over the limits detailed above*** which are the responsibility of the Governing Body. In a VA school, the Diocese / Governors, rather than the LA, have responsibility for the capital expenditure of the school's buildings, play-grounds, ICT equipment (some exceptions apply) and new furniture and fittings. Annual checks are carried out by HMRC to ensure that VAT is not claimed erroneously

4.42 Academies have their own VAT registration numbers and should be treated as an external entity for the treatment of VAT.

4.43 Further up to date guidance on VAT, including specific guidance on ICT equipment, is included within the VAT Guidance Manual which can be accessed on the Schools Finance Team Google site under the VAT section.

## **G. Use of Main School and Private/Voluntary Funds**

### **4.44 Main School Funds**

Consideration must be given to the fact that delegated budget shares (main school funds) are for the purposes of the school. The term 'purposes of the school' would normally be interpreted as including all activities that bring an educational benefit to pupils at the school. The term also includes spending on pupils registered at other maintained schools and providing community facilities for charitable services.

The following items **must** be recorded on the main school accounting system:

- Income from assets such as the hire of premises (lettings), equipment or other facilities
- Rental of school premises, including deductions from salaries where staff live on site
- Income from clubs including breakfast, after school and holiday clubs
- Income and expenditure of educational school journeys and day trips (income can be processed via private funds)
- Music Tuition
- School locker income
- Payments for additional work/travel and subsistence

The main fund **can** be used for the following:

- Refreshments for governor body training sessions
- Tea/coffee and biscuits for governor body meetings
- Tea/coffee and biscuits for meetings with an external person
- Refreshments for staff training sessions and parent evenings
- Free school meals for staff only when performing lunch duty with pupils

### **4.45 Private/Voluntary School Funds**

Consideration must be given to the fact that monies raised for private school funds come from donations and fundraising efforts of the school community including families of pupils. Voluntary funds often provide schools with a substantial additional source of income. Although such funds are not public money, the standards for the guardianship of these need to be as rigorous as those for the administration of the school's delegated budget. Parents, pupil and other benefactors are entitled to receive the same standards of stewardship for the funds to which they have contributed.

Private or voluntary funds must fill the charitable purpose criteria i.e. it should be for the advancement of education. Private funds can be used for:

- Collection and payments to charities

- Donations from pupils and their families for activities such as non-uniform days
- Uniform purchase and sales
- Donations from fundraising activities
- Donations to the main fund
- Tuck shop
- School photographs
- Pupil Christmas parties
- Pupil awards/prizes for achievement
- Small value gifts for volunteers who add directly to the educational benefit of pupils i.e., give a talk to pupils that can be justified as being of educational benefit to the children in the future

#### **4.46 Main and Private/Voluntary Funds – Disallowed Expenditure**

The Main and Private/Voluntary Funds should **not** be used for the following:

- Leaving gifts for staff
- Flowers for staff who are sick or bereaved
- Christmas or end of term meals/celebrations for staff
- Refreshments for staff - unless for a training session/parent evening or in conjunction with a duty
- Staff saving clubs/collections/tea and coffee funds, etc.

#### **4.47 Use of Main and Private/Voluntary Funds – Decision Making Criteria**

- Expenditure for items or activities must contribute to the education of the pupils or the running of the school
- The people who raised or donated money (or contributed towards the cost of certain activities) would be likely to regard the expenditure as appropriate
- The expenditure could not be more properly met from another source, e.g. a specific collection from among staff, parents and pupils, or a specific fund raising initiative
- The scale of the expenditure should be reasonable
- This expenditure must not breach any financial regulations in law, e.g. some 'cash in hand' payments to persons for services rendered
- The expenditure or nature of the expenditure needs to be approved in advance by the Headteacher or Governing Body



## 5. Procedures for Income

The following procedures are recommended to governing bodies as good practice.

### A. Accounting for Income

5.1 Cash takings e.g., meals, vending machine takings, sale of materials, should be counted by a member of staff other than the administrative / finance officer. The income should then be passed to the administrative / finance officer who should check and sign for the money to ensure separation of duties.

5.2 All cheques must be made payable to the school. All electronic payments received must be paid directly into the delegated school bank account.

5.3 Income should be keyed onto the school's finance system and an official receipt given. The receipt should be signed by the Finance Officer and a copy retained on file with any supporting documentation. Electronic forms of income should provide automatic receipts.

5.4 In cases where regular small sums of money are being received from pupils, it is not expected that an individual receipt will be issued. Mechanisms should however exist to record the income from the individual e.g. a list of pupils and sums recorded alongside.

5.5 All income should be retained in the school safe prior to banking. Cash held on the premises must not exceed the safe cash limit as defined by the insurance policy. Schools should consider using a security firm to collect cash for banking if they do not already do so.

5.6 Increasingly schools are moving to cashless systems for the receipt of income. For schools using cashless systems it is important the income received in the bank is reconciled with the listings for individual payments (for trips/meals etc) on a regular basis.

### B. Charging Policies

5.7 The LA's policy on charging is included in **Appendix 9** and refers to another LA document: Charging for School Activities. The LA also has a policy on the Community Use of School Facilities in **Appendix 10**.

### C. Invoicing

5.8 An official school invoice should be raised for all goods or services provided by the school (excluding sales to pupils). Where the supply attracts VAT, a numbered



VAT invoice must be raised and must include all relevant information. Copies must be retained on file in numerical order for inspection by HMRC.

## D. Writing off Income / Unpaid Invoices

5.9 Once all reasonable courses of action have been taken to recover monies where an invoice has been raised, a Governing Body may write-off the income if the outstanding amount on the invoice is less than **£500**. It is recommended that the Governing Body take this decision itself and an annual list of items written off should be sent to the **Finance Manager - Social Care**.

5.10 Where the amount outstanding on the invoice exceeds **£500** the write-off should be approved by the **Finance Manager - Social Care**.

## E. Unofficial Funds

5.11 Unofficial funds relate to money privately collected and expended by the school, (See Section 4.45 above). These funds do not pass through the Council's official accounts and are not generally under the control of the **Corporate Director, Social Care**. The Director can, however, issue instructions on the administration, custody, accounting, banking arrangements and auditing of the funds.

5.12 The headteacher must make suitable arrangements to ensure that unofficial funds are properly controlled and audited annually. A copy of the audit report must be presented to the Governing Body and must be made available if requested by the Council's Auditors.

5.13 It is appropriate for income relating to school journeys and school photographs to be paid into the school's private fund. The private school fund, however, should never be used for free meals income or income generated from the sale of any asset and should not be used for lettings income.

## F. Value Added Tax

5.14 The VAT Guidance Manual on the Schools Finance Team Google site gives further guidance on VAT. The main principles for raising invoices are that:

- the sale of surplus equipment may be subject to VAT;
- hall lettings where no additional equipment is required will **not** normally be subject to VAT
- a series of sports lettings (10 or more) to a 'not-for-profit' organisation will **not** normally be subject to VAT
- the sale of school meals to adults, including staff is subject to VAT (where a member of staff is on duty and a free meal is provided then VAT need not be accounted for).

- internal recharges within the local authority are not subject to VAT e.g. shared gas meters.
- where utility costs are shared with an outside organisation (e.g. health authority) VAT must be charged, if separately metered. VAT does not need to be charged if recharges are based on a percentage split.
- VAT must be accounted for on private telephone calls.
- Where an invoice is issued to another maintained school within the London Borough of Hillingdon then VAT need not be accounted for as the schools have the same VAT registration number (GB 222-4308-07).
- Academies have their own VAT registration numbers and should be treated as an external entity for the treatment of VAT
- Foundation and Voluntary Aided schools should note that the governing bodies' ownership of the buildings affects the VAT liability.

5.15 If there is any doubt about whether an activity is subject to VAT, please contact your link Finance Officer. VAT is an area that is subject to regular changes because of different interpretations of the VAT regulations arising from case law. The LA will notify schools of changes as they arise.

## **Financial Regulations for schools**

### **Introduction**

1. The Council regulates its financial affairs by means of Financial Regulations. They are written in general terms so that they can be applied throughout the Council but only those which relate to the operation of local management and so specifically affect schools have been listed below.
2. The purpose of the Financial Regulations is to ensure that public funds are properly controlled and accounted for. They also provide an assurance to the Council and to governing bodies that those who are responsible for financial management are operating sound systems and have access to advice and support in carrying out their responsibilities.
3. The Financial Regulations provide that the Chief Finance Officer shall audit schools in accordance with Section 151 of the Local Government Act 1972 and require governors to provide the **Chief Finance Officer** with the necessary information. The **Chief Finance Officer** has the right to report directly to governors on financial matters.
4. The Financial Regulations listed below should be read in conjunction with the Scheme for Financing Schools.
5. The Financial Regulations set out only the basic financial requirements of the Council and will be supported from time to time by more specific instructions on the exact procedures to be followed.

### **Delegated authority**

6. Responsibility for the financial management and control of the school's budget rests with the governors, but responsibility for day-to-day matters will normally be delegated to the headteacher. However, since the governors remain ultimately accountable, these Financial Regulations refer throughout to "governors".
7. Delegations from the governors to the head and from the head to members of staff must be recorded in writing so that they are clearly understood by all concerned.

### **Budget preparation**

8. The headteacher must prepare a three year budget plan for submission to the governing body for approval. The school's expenditure against the budget should then be regularly reviewed throughout the year. To fulfil its legal responsibilities the

Council will need to exercise its right to receive copies of each school's budget plan. This information must be supplied at the beginning of the financial year and any revisions notified on at least a quarterly basis.

### **Budget control.**

9. Responsibility for financial management and budgetary control rests with the governors but will normally be delegated to the headteacher. It is for governors to decide how to use the budget and to ensure that expenditure is contained within the cash allocation available.

10. Governors must ensure that a detailed system of financial control is set up and operated, with regular reports to the governing body on performance, especially with respect to variations on the budget plan resulting in under/overspends.

11. Governing bodies are also responsible for deciding upon a procedure for the authorisation of virements (the transfer of funds from one budget to another).

### **Authority to incur revenue expenditure**

12. All expenditure must be authorised by staff with the appropriate delegated authority. Any proposals to exceed delegated limits must first be referred to the governing body for approval.

### **Capital expenditure.**

13. The Council's capital programme is outside the Local Schools Budget and is therefore not a responsibility of the governors, however, schools may manage devolved capital projects on behalf of the LA. Governors of maintained schools are not permitted to incur capital expenditure financed by loan, but they can use funds from their delegated budgets to spend on prescribed capital projects (for example, temporary or permanent accommodation short of significant enlargements requiring formal notice), subject to the Council's agreement and statutory regulations. Voluntary aided schools do not need Council agreement to use delegated funding on capital expenditure which is a governors' responsibility.

### **Orders for goods and services.**

14. Subject to certain exceptions (e.g. petty cash expenditure, utilities payments, and specific contracts entered into in accordance with Standing Orders), an official order must be issued for all expenditure on goods and services.

15. Official orders must be authorised by staff with the appropriate delegated authority.

16. The official order must be in a form agreed with the Chief Finance Officer and must be made out in full giving the supplier's full business name and address and setting out the quantities, prices, discounts and any other terms agreed. Orders placed verbally in the first instance must be confirmed immediately by an official order so that the order number can be quoted on the supplier's invoice.

17. Goods and services may be ordered from whatever source is preferred but account must be taken of quality and value for money.

18. Copies of all authorised orders must be retained on file.

### **Payment of accounts.**

19. All payments must be made through the school's nominated bank account, with the exception of petty cash payments which should be made from a cash float drawn from the nominated bank account.

20. Your local bank account can meet all expenditure included in the school's delegated budget plus any earmarked budgets and VAT. Schools must ensure that any payments which are or may be subject to Income Tax deductions or National Insurance contributions are treated appropriately. (Normally, these transactions should be made via a payroll agency.)

21. These include payments for:

- part-time and casual staff, for example, catering staff, part-time lecturers, piano-tuners, manual workers, **clerks to governors** extra duties performed by existing staff members
- car allowances
- mileage allowance and subsistence expenses

22. The bank account must not meet items which relate to unofficial funds.

23. The school should order its own cheques directly from the bank. Cheques **must** include **both** the name of the school and (followed by) either "London Borough of Hillingdon" or "L B Hillingdon" in the title of the account. This is both for VAT purposes and in recognition of the fact that any cash advanced is the property of the London Borough of Hillingdon until it is spent for revenue or capital purposes.

24. Blank cheques must be kept in a safe place and must not be pre-signed.

25. Cheques must be signed in manuscript and Bacs payments approved by **two authorised individuals** (senior school staff and **exceptionally the Chair of Governors**). The school should ensure, as far as is practical, that the signatories are **not** the same staff who have authorised the order or certified the invoice for payment. Where a governor is a cheque signatory, the school must ensure that their fidelity guarantee insurance applies to governors signing cheques.

26. Schools are required periodically to review the number and appropriateness of automatic transfers from their bank accounts i.e. Bacs, Standing Orders and Direct Debits.

27. The school must not make arrangements for overdrafts, loans or any form of credit or deferred purchase.

28. Cash dispensers must not be used. Emergency payments for small items can be paid for in cash from a cash float (petty cash) drawn from the account or by use of the school's **Purchase** card.

29. Before a payment for goods and services is made, checks must be carried out (and recorded) to ensure that an official order was raised for their provision, that they have in fact been received, that they are of the correct quantity and price, and that they have not previously been paid for.

30. Adequate records must be maintained to ensure that duplicate payments cannot be made.

31. Any amendment to an invoice (e.g. to show the deduction of cash discount) must be made in ink of a distinctive colour and in an indelible form, initialled by the member of staff concerned and the reason for the amendment (if not obvious) stated. An invoice for goods or services supplied to the school must not be prepared by a member of the school's staff. Invoices with VAT must not have values amended. The supplier must be asked to provide a corrected invoice or a credit note.

32. The use of correction fluid, correction tape or any similar substance on an invoice is not permitted.

33. When value added tax (VAT) is included in the payment, a valid VAT invoice is required, complying in all respects with HM Revenue & Customs current regulations.

34. Invoices must be checked as soon as possible after receipt and paid within their credit terms. Special attention should be given to ensuring that all cash and trade discounts are obtained.

### **Bank Reconciliations**

35. The school should receive bank statements at least monthly and should reconcile the balances with the school account(s) as shown on their computerised financial management system **to the statement or the use of online banking**. Any direct bank debits or credits (bank charges/interest, LBH transfers, utility company direct debits etc) should be immediately entered into the system.

### **Petty cash accounts**

36. Schools may operate a petty cash account using a float drawn from their nominated bank account. Balances in hand should be checked periodically.

37. Payments must be limited to minor items of expenditure.

38. Payments must only be made on presentation of a voucher containing full details of the payment, including a valid authorisation. Vouchers must be supported by receipts and must be recorded. The recipient must sign for the receipt of cash.

39. Cash payments using the float should not be made for: salaries; wages; car allowances; excess travelling expenses; expenses for travelling and subsistence incurred in attending conferences (other than a reimbursement of a bus or train ticket); construction, repairs and maintenance of buildings; or any other items which are or which may be subject to deduction of income tax.

40. It is for the headteacher to ensure that all cash balances are kept in a safe place.

### **Travel and subsistence**

41. Payment must be made in accordance with the appropriate terms and conditions of employment.

42. Casual car user allowances and travel expenses (other than reimbursement of a bus/train ticket) must be treated appropriately such that income tax can be deducted when due.

### **Salaries, wages and pensions**

43. Payroll service is a delegated function. Governors of all schools must ensure that the school provides the necessary information and returns to the appropriate pension departments to enable related staffing procedures to be properly administered. Pension returns will need to be in a format and to a timetable set which enables the Chief Finance Officer to meet the requirements of statutory undertakers (see **Appendix 11** for prescribed format for the Teachers Pension Return and LGPS).

### **Contracts**

44. The procedures to be followed when entering into contracts for the supply of goods, materials, plant or services or for the carrying out of work are set out in the Council's **Standing Orders (Schools)** (see **Appendix 2**) and must be complied with.

### **Income**

45. Income should be collected in advance wherever possible to improve cash flow. Records must be maintained of all income due and received. An official receipt must be issued for all cash receipts and all monies must be banked promptly and intact.

### **Carry-forward of savings and deficits**

47. See Sections 4 of the Scheme for Financing Schools

## Investments

48. Surplus monies may only be invested in accounts of approved financial institutions which are clearly shown to provide no risk to the capital sum. A list of these can be obtained from the Chief Finance Officer.

49. The school will retain interest earned on bank accounts or on any investments.

## Capital expenditure and leasing

51. To avoid conflict with the Government's capital expenditure controls, governors must inform the Chief Finance Officer if they wish

a) to enter into a contract for the acquisition, enhancement or replacement of any buildings / structures, plant, machinery, apparatus or vehicles costing more than **£10,000** per single item; or

b) to enter into an **operating lease** agreement where the value is more than **£10,000**. **(Schools are not permitted to enter into finance leases)**.

This is to ensure that the Chief Finance Officer accounts for the expenditure appropriately; schools do not need the permission of the Chief Finance Officer to enter into such agreements.

## Insurances

52. Insurance is a delegated responsibility for governors. Section 10 of the Scheme for Financing Schools refers to the "School Insurance - Summary of Cover" provided to schools by Hillingdon's Insurance Services section. This sets out the minimum levels of cover which the Authority requires each governing body to arrange and what evidence the Authority requires to see.

## Inventories and stores

53. The governing body is responsible for the management of the school's resources which include the custody and control of stocks and stores and the maintenance of a record of stock receipts and issues.

54. An inventory must be maintained for items with an original purchase price of **£250** or more. If individual schools' insurance policies require an inventory of items with a value less than **£250**, the insurance requirements will prevail. The inventory must be regularly updated in respect of purchases and disposals. Particularly attractive and portable items valued at **£250** or more should be marked with security paint or in some other way to deter theft. A copy of the inventory should be kept in a safe place away from the premises.



55. Governors have delegated authority to dispose of items valued at **£5,000** or less which become obsolete or surplus to the school's requirements. The governing body must be able to demonstrate that they have achieved best value for the school, which will normally mean that they have been sold to the highest bidder. The governing body (or the headteacher if delegated) must authorise the disposal of these items. The approval of the Chief Finance Officer is required from the disposal of items valued at more than **£5,000**.

56. Income from the sale of equipment etc for which responsibility has been delegated, and income from the sale of equipment purchased from delegated funds, may be retained by the school. Income from the sale of items purchased from funds retained centrally belongs to the Council.

57. Inventories and stores should be checked on an annual basis and a record kept of the results of the check.

### **Information required by the Chief Finance Officer**

58. Section 2.1.2 of the Scheme for Financing Schools states that schools should provide the authority with details of anticipated and actual expenditure and income, in a form and at times determined by the authority. The school must send a reconciliation statement and an analysis of its income and expenditure, including VAT and earmarked budgets, and attaching copies of bank statement balances **for all bank accounts** (except for unofficial funds) in accordance with the timetable specified in **Appendix 4** of the Guidance to Schools on Financial Management . There must be an audit trail at the school to clearly link orders, invoices and cheque payments with the items on the quarterly return.

59. School returns must be received in accordance with the timetable specified in **Appendix 4** of the Guidance to Schools on Financial Management so that the Council can submit a VAT claim to HM Customs and Excise by the prescribed date (failure to do so can result in financial penalties). The annual reconciliation of the cash advances with the funding entitlement will only take into account VAT claims which the school has submitted within the specified timetable.

60. The Chief Finance Officer will continue to provide statements of the school's income and expenditure on all delegated and earmarked items as shown in the Council's accounts (ORACLE **accounting system**) at the end of the financial year. These must be reconciled with the information in the school's financial management system as it is the ORACLE information which will be used to determine carry-forward balances at the year-end.

### **Security**

61. The governing body is responsible for the security of the school premises and the custody and physical control of the school's moveable plant and machinery, furniture, fittings, equipment and other durable goods.

## **Unofficial funds**

62. Unofficial funds relate to money privately collected and expended by the school. These funds do not pass through the Council's official accounts and are not generally under the control of the Chief Finance Officer. The Chief Finance Officer can, however, issue instructions on the administration, custody, accounting, banking arrangements and auditing of the funds.

63. The governing body must make suitable arrangements to ensure that unofficial funds are properly controlled and audited annually. A copy of the audit report must be presented to the governing body.

## **Internal audit arrangements**

64. In any circumstances where a financial irregularity occurs or is suspected, the governing body must inform the Chief Finance Officer immediately. This would apply if:

- a) the Council's Standing Orders, Financial Regulations or the Scheme for Financing Schools are not complied with; or
- b) an employee or governor gains an unauthorised financial benefit arising from his/her employment or governorship at the school.

## **Standing Orders**

65. The Council's Standing Orders for Schools are binding in relation to these Financial Regulations.

## **Document retention**

67. The following records must be retained for the current financial year and for the previous 6 years, for inspection at any time by the Council's auditor and the VAT inspector.

- copy orders
- signed delivery notes
- certified paid invoices
- schools' local financial management system detailed accounts
- paying-in slips/records
- copy receipts for all income
- bank statements
- bank reconciliation statements.
- Payroll documentation

68. Cheque counterfoils should be kept in cheque number order. Cancelled cheques should be clearly marked as cancelled and kept with the cheque book to which they correspond.

69. Copy orders should be filed separately with supporting invoices and delivery notes attached. When payment is made, a copy of remittance advice (stating cheque number, payment date and amount paid) should be attached to all the supporting documents.

### **Financial systems**

70. All financial systems must comply with the conditions set down in these Financial Regulations.

### **Non-compliance**

71. These Financial Regulations are binding and any non-compliance with them could result in the Council suspending the school's right to a delegated budget in accordance with the Funding Framework (Section 1.1 of the Scheme for Financing Schools).

## School Standing Orders

School Governing Bodies, as corporate bodies with delegated budgets, are entitled to enter into contracts, but in doing so are required, as schools maintained by the local authority, to adhere to the Standing Orders.

The current values of contracts which require particular numbers of quotations and tenders is set out below following changes made by the Local Authority in 2015:

Value Range	Process to follow	Description	Approval	Records
< £3,000	Best value	Officers to demonstrate best value has been achieved	Headteacher	Research has been done to identify best product/value
Between £3,000 - £10,000	Quotes	3 written quotes required	Headteacher	Best quote signed by Head teacher
£10,001 - £50,000	Quote	Minimum of 5 written quotes	Governing Body	Minutes kept showing GB approval
£50,001 - £100,000	Tender	Minimum of 5 tenders	Governing Body	Minutes kept showing GB approval
£100,000 and above	Tender	Minimum of 5 tenders	Governing Body and Local Authority	Minutes kept showing GB approval
£181,302* and above	OJEU tender	European tender (goods/services)	Governing Body and Local Authority	Minutes kept showing GB approval

The above thresholds apply to Procurement of goods/services on any one occasion.

The Value range is for the total cost for the contract's full duration.

Records need to be kept for 6 years after the end of the current financial year.

\* Subject to change

## **Schedule H - Procurement & Contract Standing Orders**

### **1. Compliance**

1.1 Every contract awarded by or on behalf of the Council in respect of:-

- Goods;
- Works; or
- Services

Of any category or commodity, shall be procured and awarded, in accordance with:

- (a) These Standing Orders
- (b) The Public Contracts Regulations 2006 (amended 2009)
- (c) EU directives and regulations or other applicable statutory regulation being in force in the United Kingdom
- (d) The Council's Financial Regulations and Standing Orders,
- (e) Corporate Procurement Strategy and any Procurement Standard Operating

Procedures issued under paragraph 1.2.

1.2 The Chief Executive and Corporate Director of Administration, in consultation with the Leader of the Council, the Cabinet Member for Central Services and the Chief Finance Officer, may issue, from time to time, Procurement Standard Operating Procedures setting out, in further detail, procedures to be followed when awarding contracts under these Contract Standing Orders, together with guidance on relevant best practice for procurement.

1.3 Compliance with the procedures set out in the Procurement Standard Operating Procedures is mandatory under these Standing Orders, together with the application of best practice. Application of the Procurement Standard Operating Procedures is to be consistent across all Council Departments, including all areas where the procurement function is delegated. It is the responsibility of the Approved Officer to ensure compliance with the procedures is maintained where procurement is delegated to an external supplier or organization.

1.4 These Standing Orders shall be read together with the Procurement Standard Operating Procedures. The Procedures and Standing Orders carry equal weight, and therefore a breach of the Procedures will have the same effect as a breach of these Standing Orders.

1.5 Corporate Directors, Deputy Directors and Heads of Service shall ensure that all officers who procure goods, works or services comply with these Standing Orders and the Procurement Standard Operating Procedures. Only officers who are deemed to be qualified and competent by the Head of Procurement, in conjunction

with the appropriate Corporate Director, may procure goods, works or services. These officers are to be identified within each Department's individual Scheme of Delegations, and known as "Approved Officers". The Head of Procurement and each Corporate Director shall maintain a register of Approved Officers.

1.6 An Approved Officer shall be designated for all contracts, irrespective of value, and be competent in managing the supply of goods, works or services as appropriate. For the avoidance of doubt, this does not mean sourcing and placement of contracts.

1.7 The Head of Procurement shall be responsible for maintaining a register of all contracts where the total contract value is £50,000 or greater.

1.8 No contract shall be procured unless written approval is obtained in accordance with the Scheme of Delegations. Such written approval will confirm there is adequate provision within the appropriate capital or revenue budgets or other financial provision, i.e. grant funding.

1.9 Pursuant to paragraph 1.8, before obtaining written approval, Approved Officers shall consult the Register of Contracts to ascertain if the Council has a contract for the goods, works or services required. If such a contract is in existence, the Approved Officer shall use the appropriate contract in force, and not procure another.

1.10 It shall be the duty of every officer of the Council placing contracts or committing expenditure to obtain and demonstrate value for money, and that the goods, works and services are fit for the intended purpose.

## **2. Ethics & Probity**

2.1 Officers shall preserve the highest standards of honesty, integrity, impartiality and objectivity. This includes compliance with the Employees' Code of Conduct.

2.2 Pursuant to paragraph 2.1, breaches of compliance will be referred to the Chief Finance Officer and the Head of Procurement in the first instance, who in conjunction with the Head of Audit and Enforcement, will authorise any investigation. The outcome of any investigation may be referred to the Head of Human Resources to determine if disciplinary action should be taken, in accordance with the Employee's Code of Conduct.

2.3 In accordance with Section 117 of the Local Government Act 1972, The Borough Solicitor shall maintain a record of any officer who has a pecuniary interest in a contract with the Council, and notify in writing their Head of Service where, in the course of their work, have a personal financial or non-financial interest.

2.4 Any officer procuring goods, works or services must declare gifts and hospitality received or offered, in accordance with the Employees' Code of Conduct.

### **3. Member authority, Planning Ahead and the Decision-Making Process**

**3.1 Member authority.** Hillingdon's decision-making process requires for the majority of contract decisions to be determined by the Cabinet or a Cabinet Member(s) to provide for important Member oversight and accountability when using public monies. It is the prerogative of the Cabinet or Cabinet Member to decide to accept or not accept any tender recommended by Officers.

Council sets the financial thresholds by which tenders shall be accepted by Members as set out in Standing Order 6.

**3.2 Planning ahead.** Before any invitation to tender, Corporate Directors and their officers shall plan ahead and build into their project timetable the necessary informal approvals, notifications (via the Forward Plan) and the period of the formal decision-making process. Sufficient time should be planned to consider all service provision issues, including alternative decisions by the Cabinet or Cabinet Member.

Corporate Directors should first seek the informal approval of their Cabinet Member to invite tenders. For tenders that have a corporate impact, the Cabinet Member for Central Services should also be consulted beforehand. Cabinet Members will expect officers to have considered all alternative options before presenting them with a proposal to tender a contract.

The Corporate Directors shall then ensure that the Forward Plan is updated with regard to forthcoming tender decisions which require formal approval by the full Cabinet or a Cabinet Member. Advance notice of at least 3-4 months should be given on the Forward Plan.

**3.3 Decision-making process and timings.** Any tender decision identified on the Forward Plan shall require a formal tender summary report to be prepared providing full tender evaluation information, using the sign-off procedures and templates approved by Democratic Services. For tender decisions to a particular meeting of the full Cabinet, officers should adhere to the report deadlines set out by Democratic Services. For tender decisions to a Cabinet Member(s), officers should ensure they are taken within the month notified.

From the time the report is ready, the formal decision-making process can take approximately 1 month before a decision is made. This time period is mainly for legal reasons, but also to ensure that Members have time to read the report. In addition, after any decision is made by the Cabinet or Cabinet Member, 5 days must expire for the 'scrutiny call-in' period before any decision can formally take effect and any contract can be signed, executed or sealed.

All Cabinet and Cabinet Member decisions to accept (or not accept) a particular tender are made public.



#### 4. Invitations to Tender

- 4.1 a) Tenders or quotations shall be invited for all proposed contracts with an estimated total contract value, equal to or exceeding the minimum thresholds as set out in the Procurement Standard Operating Procedures. These thresholds are as follows:-

Total Value	Minimum number of quotations or tenders	Award criteria
£0 – £10,000 *	3 Quotations	Lowest price to apply
£10,001 – £50,000	5 Quotations	Most economically advantageous quotation
£50,001 & above	5 Tenders	Most economically advantageous tender

\*For schools the total value is between £3,000 and £10,000

Pursuant to paragraph 1.1, every invitation to tender shall comply with all regulations and directives in force at that time.

- b) Where the award criteria is based on most economically advantageous tender, unless agreed in writing by the Cabinet Member for Central Services and/or the Leader of the Council in conjunction with the Head of Procurement, tender evaluations shall be based on a minimum of 80% weighting in favour of price.

4.2 EU directives and regulations shall apply to the procurement of contracts with an estimated aggregate value equal to or exceeding the EU thresholds listed below that are in force at the time of tender, as set out in the

Procurement Standard Operating Procedures and pursuant to paragraph 4.3:-

Goods and services	£181,302 or greater	Minimum 5 Tenders	Most economically advantageous tender or lowest price
Works	£4,104,394 or greater	Minimum 5 Tenders	Most economically advantageous tender or lowest price

4.3 Unless it is in the best interests of the Council, or forms part of a provision of duty of care, no requirement for goods, works or services may be sub-divided into smaller contracts with the intention of circumventing the requirements of paragraph 4.1, or for the purpose of avoidance of EU statutory requirements, as stated in Regulation 8 of the Public Contracts Regulations 2006 (amended 2009).

4.4 Pursuant to paragraph 4.1 and the requirement for obtaining best value and adequate competition, competitive tenders or quotations shall not be required if the

Approved Officer is satisfied, and has obtained written agreement from the Head of Procurement and the Cabinet Member for Central Services, or the Leader of the Council, that:

- (i) it is not reasonably practicable or prudent in meeting the Council's objectives to obtain competitive tenders or quotations; or
- (ii) there would be no effective or genuine competition; or
- (iii) it is necessary to safeguard life or property; or
- (iv) the works, services or goods will be obtained through an approved buying consortium, or from their nominated suppliers; or
- (v) the works, services or goods will be obtained through a corporately tendered and managed contract that has been established for all officers of the Council to use, and
- (vi) all such decisions are authorised by the Head of Procurement in writing.

4.5 Before proceeding in accordance with paragraph 4.1 in relation to any expenditure, the Approved Officer shall consult the Procurement Standard Operating Procedures, to confirm and determine how the goods, works or services should be tendered. Appropriate guidance shall also be sought from the Procurement Team.

4.6 Tenders for all proposed contracts with an estimated total contract value greater than £50,000 shall be conducted by the Procurement Team, unless otherwise instructed by the Head of Procurement. All such tenders shall be published on the appropriate eTendering portal as advised by the Procurement Team.

## **5. Custody, Receipt & Opening of Tenders by Democratic Services**

5.1 The Approved Officer shall ensure that custody, opening and acceptance of tenders is in accordance with the Procurement Standard Operating Procedures.

5.2. Receipt and custody of tenders

- (a) Tenders shall be returned by the tenderer to the Civic Centre. Electronic tenders shall be returned to the email address specified in the tender instructions, or uploaded to the appropriate e-tendering portal as specified.
- (b) On receipt by the Council, tenders shall be date-and time-stamped on their envelope or outer wrapper. Each electronic tender received shall be electronically date stamped.
- (c) The Mail Room Supervisor, or equivalent officer responsible for receiving mail or online documents, shall:

- (i) provide a receipt for tenders received, on request;
- (ii) keep a record of the number of tenders received;
- (iii) after the time and date specified for their return, hand all tenders received to the officer responsible for them, and obtain a receipt / signature.

(d) Tenders shall be kept in secure custody until they are opened. Electronic tenders shall be stored in a secure folder.

**5.3. Register of tenders** A register of tenders received shall be maintained by each Corporate Director and updated by each Approved Officer as necessary. The register should contain details of each tender, the signatures of the officer opening the tenders and the witness and the signature of the officer to whom the tenders were passed for custody after opening. Where tenders are received electronically this register shall be maintained within the appropriate eTendering portal as advised by the Procurement team.

#### **5.4. Tender opening**

- a) Tenders shall be opened at one time and only in the presence of such officer or officers as the Head of Democratic Services and/or Approved Officer or the Corporate Procurement Unit may determine.
- (b) An officer from the Corporate Procurement Unit or Democratic Services should be present when tenders are opened.
- (c) The tenders shall be opened one at a time and the opening sequence recorded, together with any appropriate comments or notes.
- (d) As each tender is opened the name of each tenderer and the amount of the tender must be recorded in the tender register.

#### **5.5 Late Tenders**

- (a) A tender received after the last date and time when tenders should be received must be recorded as a late tender in the tender register.
- (b) Such a late tender shall only be opened and considered for acceptance on the authorisation of the Head of Procurement and the Head of Democratic Services.
- (c) The Head of Procurement and the Head of Democratic Services may consider that a tender received late should be considered for acceptance under the following circumstances:
  - (i) there is a bona fide reason, recorded in writing, for the tender being late; and
  - (ii) other tenders that have arrived on time have not been opened.
- (d) Where a tender received late is for a contract greater than £50,000, the Head of Procurement and Head of Democratic Services shall in addition seek approval from the Cabinet Member for Central Services prior to considering it for acceptance.
- (e) Where a tender received late is for a contract value of greater than £250,000, the Head of Procurement and Head of Democratic Services shall in addition seek approval from the Leader of the Council prior to considering it for acceptance.
- (f) In circumstances where the Head of Procurement and the Head of Democratic Services are uncertain whether a late tender should be opened

and considered for acceptance, the matter should be referred to the Borough Solicitor for legal advice.

## **6. Acceptance of tenders and financial thresholds for authority**

**6.1 General Rules.** Where tenders or quotations have been received in accordance with the Procurement Standard Operating Procedures, they can only be accepted if the Approved Officer has satisfied themselves that: -

- (a) All approvals required by Cabinet, Cabinet Member or Delegated Officers set out in these Standing Orders, the Council's Constitution and Financial Regulations have been obtained first;
- (b) the tender is compliant;
- (c) the tender offers best value in accordance with the Procurement Standard Operating Procedures.
- (d) all appropriate risks have been assessed and mitigated, as required by Procurement Standard Operating Procedures.

**6.2 Acceptance of tenders or quotations.** A tender or quotation summary report recommending final contractor selection will be required prior to acceptance. This document will form the basis for decisions required as set out below.

- (a) In the case of a tender or quotation which does not exceed £9,999 for which budgetary provision exists, the Approved Officer shall be authorised to accept the most satisfactory tender.
- (b) In the case of a tender or quotation which is between £10,000 but is below £50,000 for which budgetary provision exists, the Approved Officer, with informal written acceptance provided by the relevant Cabinet Member portfolio holder and Cabinet Member for Central Services shall be authorised to accept the most satisfactory tender.
- (c) In the case of a tender which exceeds £50,000 but is below £250,000 for which budgetary provision exists, the relevant Cabinet Member portfolio holder and the Cabinet Member for Central Services or the Leader of the Council shall be authorised to accept the most satisfactory tender.
- (d) In the case of a tender which exceeds £250,000 for which budgetary provision exists, the Cabinet shall be authorised to accept the most satisfactory tender.
- (e) A re-assessment of the Contractors financial stability shall be carried out where the tender value exceeds £100,000. This would normally be undertaken during the pre-qualification and/or at the tender submission stage of the process. This information should be presented in any report to the Cabinet or Cabinet Member.
- (f) Tenders or quotations can only be accepted in accordance with the agreed award criteria i.e. most economically advantageous or lowest price.

In the case of decisions required by the Cabinet or Cabinet Member then the procedures in Standing Order 3.3 shall be followed.

**6.3 Authority levels for tender or quotation acceptance.** Council has agreed the following financial thresholds for authority to accept a tender or quotation:

£0 – £10,000	Approved Officer
£10,001 - £50,000	Approved Officer with informal written acceptance from relevant Cabinet Member
£50,001 – £250,000	Formal decision by the relevant Cabinet Member and the Leader of the Council
£250,001 or greater	Formal decision by the Cabinet

These thresholds shall also apply to single tender actions and contract extensions.

Any proposed procurement decision that will have a significant impact on two or more wards in the Borough and where the well-being of the community or change to the service level provided will affect a significant number of people, then this decision must be reported to Cabinet for determination.

In the case of decisions required by the Cabinet or Cabinet Member then the procedures in Standing Order 3.3 shall be followed.

**6.4 Agency / Temporary Workers and Consultants.** Council has agreed different financial thresholds for authority for appointing individual temporary workers and accepting tenders for appointment of consultants as follows:

Acceptance of tender for appointment of consultants	Less than £5000	Corporate Director	In writing
	£5001 - £50,000	Formal approval by the Cabinet Member	Report
	£50,001 or greater	Formal approval by the Cabinet	Report
Approval of individual temporary workers	Less than £5000	Corporate Director	In writing
	£5001 and £50,000	Cabinet Member (informal approval via HR and Director)	Report
	Over £50,001	Formal approval by the Cabinet	Report

In the case of decisions required by the Cabinet or Cabinet Member then the procedures in Standing Order 3.3 shall be followed.

6.5 Where individual orders for goods, works or services are placed with a single contractor independently of each other and the cumulative value over the period of a financial year moves between the authorisation levels in Standing Orders 6.3, officers should seek the necessary approval in accordance with the total cumulative value.

## 7. Execution of Contracts

7.1 Every contract that is entered into by the Council shall be in writing and executed in accordance with the following:-

£10,000 – £50,000	Signed by, the Head of Procurement in writing. As set out in 9.2 for purchases below £1,000 where no formal contract is in place, purchase orders shall be considered as a form of contract.
£50,001 - £100,000	Signed by the Chief Finance Officer in writing
£100,001 or greater	Sealed with the Common Seal of the Council and attested by a Member of the Council and the Borough Solicitor or any other officer authorised by the Borough Solicitor and Cabinet Member for Central Services in writing.

Pursuant to Standing Order 1, a record of each contract executed in accordance with paragraph 7.1, shall be entered on a Register of Contracts maintained for that purpose by the Head of Procurement.

7.3 No Council officer may call off a contract for goods, works or services unless that contract is in writing and executed in accordance with paragraph 7.1.

7.4 Legal Services shall be responsible for ensuring that all contract executions are managed correctly, in accordance with paragraph 7.1. Sufficient copies of each contract shall be signed, and an electronic version will be passed to the Procurement Team, whereupon this will be stored in the Contracts Library.

## 8. Contract Extension and Variation

8.1 Before approval is granted to extend or vary contracts, Corporate Directors and their officers shall give due consideration to all potential options that may exist to repackage goods, works and services. An appraisal of such options shall be produced and provided to the appropriate Cabinet Member for review in accordance with the provisions of Standing Order 3. Only where the Cabinet Member approves the option that a contract shall be extended or varied shall such approval be sought.

8.2 Contracts may only be extended where the express provision in the agreement exists to do so and the appropriate approval to extend has been provided. This approval shall be sought in accordance with the levels of tender acceptance contained in Standing Order 6.3.

8.3 Contracts may only be varied where the express provision in the agreement exists to do so and the appropriate approval to vary the contract has been provided. This approval shall be based upon the approval required to execute the contract as contained in Standing Order 7.1.



8.4 Where any single proposed contract variation or cumulative value of agreed contract variations is likely to exceed the value originally approved then Officers should, at the earliest opportunity, seek approval to exceed the value from the relevant Cabinet Member and the Cabinet Member for Central Services. If this exceeds 15% or more of the total contract value originally approved, a summary report shall be made to the Head of Procurement. Approval of the proposed contract variation shall be in accordance with Standing Order 8.2 and therefore may require either approved officer approval with informal written acceptance by the Cabinet Member, a formal Cabinet Member or Cabinet decision.

## **9. Purchase Orders & Government Procurement Cards**

9.1 Where formal contractual arrangement are in place, purchase orders shall be considered as the method of commitment with a supplier and shall be required for all goods, works and services, irrespective of value, and raised in accordance with Procurement Standard Operating Procedures, pursuant to paragraph 1.1. No goods, works or services shall be procured without the prior establishment of a legitimate purchase order, duly approved in accordance with the Council's Financial Regulations and the Scheme of Delegations.

Exemptions to this shall be approved in writing by the Chief Finance Officer and Head of Procurement as appropriate.

9.2 For purchases below £1000 where no formal contract is in place, purchase orders shall be considered as a form of contract and shall be required for all goods, works and services, and raised in accordance with Procurement Standard Operating Procedures, pursuant to paragraph 1.1. No goods, works or services shall be procured without the prior establishment of a legitimate purchase order, duly approved in accordance with the Council's Financial regulations and the Scheme of Delegations.

Exemptions to this shall be approved in writing by the Chief Finance Officer and Head of Procurement as appropriate.

9.3 The Council recognises the need to ensure efficient processes are used to procure lower value goods, works and services. Therefore Government Procurement Cards may be used to procure goods, works and services as follows:-

- (a) Purchases less than £500
- (b) Single purchases where the supplier will not be used again
- (c) Urgent or emergency purchases where it is not possible to raise a purchase order, pursuant to paragraph 9.2

Exemptions to this shall be approved in writing by the Chief Finance Officer and Head of Procurement as appropriate.



## **10. Delegated Authority**

10.1 Delegated Authority to procure goods, works or services may be awarded only with the written approval of the Chief Executive and Corporate Director of Administration, Chief Finance Officer and the Head of Procurement, and only when the application for Delegated Authority is supported by a detailed business case prepared in accordance with the Procurement Standard Operating Procedures.

10.2 Departments, Service Areas or Officers who have been awarded Delegated Authority shall comply with these standing orders and the Procurement Standard Operating Procedures at all times. Breaches of compliance will result in the removal of Delegated Authority, as required by the Head of Procurement, and possible disciplinary action may also be initiated.

10.3 The governing body of any school which is subject to the Scheme of Delegation approved by the Secretary of State for Children, Schools and Families pursuant to statutory authority, shall be considered as part of the Council, and will comply with these standing orders and Procurement Standard Operating Procedures.

## **11. Exemptions from Standing Orders**

11.1 In any circumstances not provided for by the preceding Standing Orders, an Approved Officer will consult with the Chief Finance Officer and the Head of Procurement, in the first instance, where an exemption is required.

11.2 These Standing Orders shall not apply to the following services that are managed by separate policies and guidelines:

1. Contracts for the acquisition or lease of land and/or real estate.
2. Contracts for permanent or fixed term employment.
3. Direct Payments to citizens following care assessment, for example, payments provided under Self Directed Support or individual budgets.
4. A declared emergency as defined by the Civil Contingencies Act 2004 and authorised by the Emergency Planning Officer.

11.3 Where these Standing Orders may conflict with any separate rules or guidance, and the Procurement Standard Operating Procedures, the Head of Procurement, the Cabinet Member for Central Services and the Borough Solicitor will determine which takes precedence.

## 12. Property Standing Orders

### 12.1 Application

1. This procedure rule applies where there is a Property (including land and/or buildings) transaction.
2. "Property transaction" means the acquisition or disposal of a freehold interest in property (including land and/or buildings) or a lease of greater than 7 years or other dealing with land, whether or not buildings, plant and equipment, fixtures and fittings, or other assets are included in that transaction. A transaction concerning only plant and equipment, fixtures and fittings, or other assets is not a Property transaction. The grant of a temporary licence to occupy is not a Property transaction.
3. "major disposal" means a Property transaction which consists of either a disposal of the freehold where the consideration exceeds £100,000, or the grant of a lease of greater than 7 years where the rent exceeds £30,000 per annum or where the premium exceeds £100,000.
4. "the property procedures" means the procedures adopted by Corporate Property and Construction from time to time for the management, use, acquisition and disposal of property, in consultation with the Director of Planning, Environment & Community Services and the Borough Solicitor.
5. "best consideration" means the legal obligation upon the Council to achieve a consideration, which is the best that can reasonably be obtained.
6. Principles to be applied are that policy decisions on property, (e.g. property policies and decisions on what property to purchase or sell), should be made by the Cabinet or by the Cabinet Member for Finance, Property and Business Services. Professional decisions, (e.g. how to market, negotiations etc) should be delegated to officers.

### 12.2 Approval of Major Disposals

1. The principle and method of each major disposal must be approved by Corporate Property and Construction making recommendations to the Cabinet Member for Finance, Property and Business Services or the Cabinet. When determining such matters they shall consider a report:
  - a) specifying the property (land and buildings) to be disposed of;
  - b) confirming that the property has been declared surplus to the Services'/Council's requirements;
  - c) advising upon the proposed method of disposal, and providing the reasons for selecting that method;
  - d) in matters where the Council must achieve best consideration, confirming that the proposed method of disposal which has been selected, is most likely to achieve this;

e) in matters where it is proposed that the disposal should be for less than best consideration, giving reasons for and against seeking best consideration and, following consultation with the Borough Solicitor, specifying the relevant legal powers of the Council to accept less than best consideration.

2. The principal terms of major disposals (except where the approved method of disposal is by auction) must be approved by Corporate Property and Construction making recommendations to the Cabinet Member for Finance, Property and Business Services or the Cabinet as appropriate. When determining such matters, they shall consider a report confirming either that the consideration agreed represents 'best consideration', or, following consultation with the Borough Solicitor, specifying the relevant legal powers of the Council to accept less than best consideration.

3. In major disposals where the approved method of disposal is the inviting of tenders or offers, the disposal must be advertised in at least one local, national, international or specialist newspapers or publications, as determined by Corporate Property and Construction.

### 12.3 Dealing with tenders and offers

1. The receipt and opening of tenders and offers will be conducted in accordance with Standing Order 5 and the Council's Procurement Standard Operating Procedures

2. In cases where the duty to achieve 'best consideration' (the best price that can reasonably be obtainable) applies, when a tender or offer representing 'best consideration' is received late, or is otherwise invalid as described in Standing Order 5, Corporate Property and Construction will consult with the Borough Solicitor and the Cabinet Member for Finance, Property and Business Services. If they agree that the tender or offer should be considered for acceptance and it is possible that other tenderers/offers will otherwise be prejudiced, all tenders/offers shall, at the Council's discretion, be given the opportunity to resubmit their tenders/offers within a given timescale.

3. In cases where the duty to achieve 'best consideration' does not apply, when a tender is late or contains errors, the provisions in the Council's Procurement Standard Operating Procedures will apply.

### 12.4 Disposals and Acquisitions by Auction

1. In disposals where the approved method of disposal is by auction, up to three auctioneers approved by Corporate Property and Construction must be invited to provide a written quotation as to service offered, commission and additional costs. The most advantageous quote, taking into account pricing and service level offered, must be selected.

2. A “reserve price”, when recommended by the auctioneer, will be set by Corporate Property and Construction in consultation with the Borough Solicitor and the Cabinet Member for Finance, Property and Business Services. The reserve price must be disclosed only to the auctioneer and the Council’s legal and property officers attending the auction. The legal officer shall, upon a sale being 'knocked down' be authorised to sign contracts or relevant papers on the day of the sale.

3. In the case of any acquisition of land or property by officers at auction, price bands and/or limits for bidding will be set subject to the amounts being within existing delegations and thresholds in the Constitution given to Officers, the Cabinet Member for Finance, Property and Business Services or Cabinet as set out in section 12.6 below. Cabinet or the Cabinet Member for Finance, Property and Business Services will therefore need to authorise beforehand any offer to acquire at an auction.

#### 12.5 Approval of Property Transactions (including Land and Buildings) other than major disposals

1. The principal terms of property transactions (other than acquisitions which are dealt with below), for the disposal of a freehold or leasehold interest in property (except where the method of disposal is by way of auction) and also other than those defined as major disposals in these Standing Orders, must be approved by Corporate Property and Construction in accordance with the Scheme of Delegations. Corporate Property and Construction must report each approval to the appropriate Cabinet Member in their Portfolio area or the Cabinet.

2. The principle and method of each acquisition, irrespective of value, and whether it relates to the acquisition of a freehold or leasehold interest or a licence, must be approved by Corporate Property and Construction making recommendations to the Cabinet Member for Finance, Property and Business Services or the Cabinet.

#### 12.6 Authority levels for property matters. Council has agreed the following financial thresholds for property matters:

Acquisition and disposal of land and property and also grant of easements and wayleaves	Under £10k	DCE & Corporate Director of Residents Services	In writing
	£10k - £250k	Cabinet Member for Finance, Property & Business Services	Report
	£250k or greater	Cabinet	Report
Disposal of any property for less than best consideration, including discounted rent on any property or premises owned by the Council	All Values	Cabinet	Report
Property Licenses and Leases	Under 7 years and under £10k	DCE & Corporate Director of Residents Services	In writing
	Under 7 years and £10k - £100k	Cabinet Member for Finance, Property & Business Services	Report
	Under 7 years and above £100k	Cabinet	Report
	7-25 years and any value up to £250k	Cabinet Member for Finance, Property & Business Services	Report
	Over 25 years and any value	Cabinet	Report

Any proposed property or land decision that will have a significant impact on two or more wards in the Borough and where the well-being of the community or change to the service level provided will affect a significant number of people, then this decision must be reported to Cabinet for determination.

In the case of decisions required by the Cabinet or Cabinet Member then the procedures in Standing Order 3.3 shall be followed.

12.7 Application of the Property Procedures and Standards. All property (including land) transactions must be conducted in accordance with the property procedures and standards.

#### 12.8 Formalities

1. All contracts and other documentation entered into pursuant to all land transactions shall be in writing, and shall be signed or sealed with the Common Seal of the Council, as appropriate.
2. The Common Seal of the Council shall be attested by a Member of the Council and the Borough Solicitor or any other officer authorised by the Borough Solicitor in writing.
3. An entry of every sealing of a contract shall be made and consecutively numbered in a book kept for that purpose.

# CASH ADVANCE INSTALMENTS

## 1.1 Frequency of instalments

Schools receive their budgets via monthly credits into their bank accounts (cash advances). Cash advances are paid to schools in 12 instalments and are credited to schools' nominated bank accounts (i.e. cleared funds) on the last banking day before the 15<sup>th</sup> of the month (or the preceding day if the 15<sup>th</sup> falls on a non-banking day) to allow schools to meet their payroll commitments in time.

## 1.2 Proportion of budget share payable at each instalment

The Authority will calculate the amount to be paid to each school on the following basis.

During the financial year schools will need cash in order to meet commitments arising from their delegated and devolved budgets. The Authority will identify each month what the total known budgets for the school are.

In the monthly instalments between April and March the amount payable will be:

$$(A - B) \times 1/C$$

where

**A** = known budgets at time when monthly cash advance transaction needs to be calculated (i.e. normally 2 weeks prior to the date the cash is transferred to schools' bank accounts).

**B** = cash advances already made to the school for that financial year's funding.

**C** = the number of monthly cash advances until year-end

The only exceptions to this standard distribution are:

- Capital funding for specific projects (i.e. other than Devolved Formula capital allocations) such as the Secondary School Capital Programme will be distributed on a school by school basis in accordance with the planned expenditure on the project agreed with the LA.
- Other government grants with specific provisos that payment is made on a one-off basis.



## Example of how Cash Advances operate

### School A

<b>Funding for the school – original</b>	
Individual School Budget	£1,700,000
Other grants	£125,000
Total known in April	£1,825,000

<b>Movements during June</b>	<b>Calculation of Monthly Cash Advance payments</b>
A statemented pupil leaves (€5,000)	<b>April</b> $(£1,825,000 - 0) \times 1/12 = £152,083$
PE & Sports Grant £2,500	<b>May</b> $(£1,825,000 - £152,083) \times 1/11 = £152,083$
Additional DfE development grant £100,000	<b>June</b> $((£1,825,000 + £97,500) - (£152,083 \times 2)) \times 1/10 = £161,833$
Total movement for June £97,500	
Revised June budget is £1,825,000 + £97,500 = £1,922,500	

<b>Reconciliation of Monthly Cash Advances</b>	
April	£152,083
May	£152,083
June – March (end of year)	
= £161,833 x 9	£1,618,334
& £161,837 x 1	
TOTAL	£1,922,500

## APPENDIX 4

### SCHOOL FINANCE RETURNS TIMETABLE 2019 – 2020

<p><b>Thursday 31<sup>st</sup> May 2019</b></p> <p><b>(The last day of half term is Friday 24<sup>th</sup> May 2019)</b></p>	<p><b>2019/20 – 2021/22 - Three Year Budget Plans</b> approved by GB (Accompanied by FMS Cost Centre Summary for all funds and Income &amp; Expenditure report showing budget uploaded as per signed budget plan). <b>Report of intended use of surplus balances</b>, school surplus is above the threshold (8% Primaries/Specials/Nurseries, 5% for Secondaries</p> <p>Deficit Schools – Plans outlining recovery of deficit according to initial plans</p>
<p><b>Wednesday 5<sup>th</sup> June 2019</b></p> <p>1<sup>st</sup> QTR Capital Returns</p>	<p>Capital Monitoring Spreadsheet</p> <p>Cumulative expense analysis (Capital cost centre group)</p>
<p><b>Friday 7<sup>th</sup> June 2019</b></p>	<p>Upload Preliminary CFR report to Collect for checking – Final upload date to be advised.</p>
<p><b>Thursday 4<sup>th</sup> July 2019</b></p> <p>1<sup>st</sup> Quarter Reports</p>	<p>VAT Submittal Report (submit by this date for reimbursement of VAT by the end of following month)</p> <p>Cost Centre Summary Report , Income and Expenditure Report</p> <p>Copy of bank statement (all delegated accounts including reserve / savings) as at 30th June, System Bank Reconciliation Report and System Unreconciled Items Listing</p> <p><b>For deficit schools only :</b> Quarterly update report on progress against recovery plan + minutes of finance sub-committee meetings</p>
<p><b>Friday 12<sup>th</sup> July 2019</b></p>	<p>Early Year Pupil Premium submission</p>
<p><b>Friday 6<sup>th</sup> Sept 2019</b></p> <p>2<sup>nd</sup> Quarter Capital Return</p>	<p>Capital Monitoring Spreadsheet</p> <p>Cumulative expense analysis (Capital cost centre group)</p>
<p><b>Friday 4<sup>th</sup> Oct 2019</b></p> <p>2<sup>nd</sup> Quarter Reports</p>	<p>VAT Submittal Report (submit by this date for VAT reimbursement by the end of following month)</p> <p>Cost Centre Summary Report , Income and Expenditure Report</p> <p>Copy of bank statement (all delegated accounts including reserve / savings) to 30 Sept, System Bank Reconciliation Report and System Unreconciled Items Listing</p> <p><b>For deficit schools only :</b> Quarterly update report on progress against recovery plan + minutes of finance sub-committee meetings</p>
<p><b>Monday 4<sup>th</sup> Nov 2019</b></p>	<p>Cost Centre Summary report (All funds)</p>
<p><b>Friday 15<sup>th</sup> Nov 2019</b></p>	<p>Early Year Pupil Premium submission</p>
<p><b>Wednesday 4<sup>th</sup> Dec 2019</b></p> <p>3<sup>rd</sup> Quarter Capital Returns</p>	<p>Capital Monitoring Spreadsheet</p> <p>Cumulative expense analysis (Capital cost centre group)</p>
<p><b>Tuesday 7<sup>th</sup> Jan 2020</b></p> <p>3<sup>rd</sup> QTR Reports - VAT submittal</p>	<p>VAT Submittal Report (submit by this date for VAT reimbursement by the end of following month)</p>
<p><b>Thursday 9<sup>th</sup> Jan 2020</b></p> <p>3<sup>rd</sup> QTR Reports - remaining reports</p>	<p>Cost Centre Summary , Income and Expenditure Report,</p> <p>Copy of bank statement (all delegated accounts including reserve / savings) to 31 Dec, System Bank Reconciliation Report and System Unreconciled Items Listing</p> <p><b>For deficit schools only :</b> Quarterly update report on progress against recovery plan + minutes of finance sub-committee meetings</p>
<p><b>Wednesday 5<sup>th</sup> Feb 2020</b></p>	<p>Cost Centre Summary report (All funds)</p>
<p><b>Friday 14<sup>th</sup> Feb 2020</b></p>	<p>Early Years Pupil Premium submission</p>
<p><b>Wednesday 4<sup>th</sup> March 2020</b></p> <p><b>(Provisional date)</b></p> <p>4<sup>th</sup> Quarter/Final Capital Returns</p>	<p>Final 2019-20 Capital Monitoring Spreadsheet including Capital Accruals <b>(All payments to March 31<sup>st</sup> to be accrued)</b> and Cumulative expense analysis (Capital cost centre group).</p>
<p><b>Wednesday 18<sup>th</sup> March 2020</b></p>	<p>Cost Centre Summary report / Income and Expenditure report / Year End System Check / Aged Debtor Report for pre- year end checks</p>
<p><b>Tuesday 31<sup>st</sup> March 2020</b></p>	<p>SFVS approved by Chair of GB</p>
<p><b>Year End Dates to be advised</b></p> <p><b>4<sup>th</sup> QTR Reports – Final return</b></p>	<p>Final Year-end Return – confirmation of date via Year End Guidance in January / February</p>

Please refer to the Schools Finance webpage for guidance on completing the above. **Bank reconciliations, Income & Expenditure reports and cost centre summaries should be run consecutively so that the figures on all reports reconcile, avoiding differences due to timing of running reports.**

Submission:

- ❑ The quarterly reports are timed to receive your VAT submittals for reimbursement of VAT by the end of the following month. Schools information has to be included in the LA HMRC claim by 12<sup>th</sup> of each month.
- ❑ Send a copy of the bank statement to show the balance being reconciled to (this can be an on-line statement) with your Quarterly Returns to the Schools Finance Team, 4W/04, Civic Centre.
- ❑ All reports to be submitted electronically (**sorry no XML reports**) to:  
[schoolfinancereturns@hillingdon.gov.uk](mailto:schoolfinancereturns@hillingdon.gov.uk) **only where this is not possible paper copies will be required.**
- ❑ If you have any queries, please contact the Schools Finance Team-**01895 250451 / 250458 / 277204 / 277665**

**Annual 3 Year Budget Plan Example**

<b>Revenue</b>				
B02	Uncommitted revenue balances	90000	90082	90534
Brought Forward		90000	90082	90534
I01	Funds delegated by the LA / EFA	1435141	1438292	1438292
I02	Funding for Sixth Form Students	0	0	0
I03	High needs top-up funding	35757	35757	35757
I04	Funding for minority ethnic pupils	0	0	0
I05	Pupil Premium	45000	45000	45000
I06	Other government grants	0	0	0
I07	Other grants and payments	0	0	0
I08a	Income from letting premises	0	0	0
I08b	Income from facilities and services	11730	11730	11730
I09	Income from catering	0	0	0
I10	Supply teacher insurance claims	0	0	0
I11	Other insurance claims	0	0	0
I12	Contributions to educational visits	0	0	0
I13	Donations and/or Voluntary funds	0	0	0
I15	Pupil - focused ext. school funding and/or grants	0	0	0
I18	Additional grant for schools	8500	8500	8500
<b>Income</b>		<b>1536128</b>	<b>1539279</b>	<b>1539279</b>
E01	Teaching staff	808576	833999	835215
E02	Supply teaching staff	22000	22220	22442
E03	Education support staff	260550	226337	226072
E04	Premises staff	109828	114724	115919
E05	Administrative and clerical staff	85155	87814	89899
E06	Catering staff	0	0	0
E07	Cost of other staff	23631	24008	24252
E08	Indirect employee expenses	2555	2593	2645
E09	Staff development and training	10000	10150	10353
E10	Supply teacher insurance	0	0	0
E11	Other staff related insurance	0	0	0
E12	Building maintenance and improvement	30000	30000	25000
E13	Grounds maintenance and improvement	5000	5075	5176
E14	Cleaning and caretaking	3500	3552	3624
E15	Water and sewerage	2200	2233	2278
E16	Energy	20000	21000	22050
E17	Rates	15000	15000	15000
E18	Other occupation costs	10000	10150	10353
E19	Learning resources (not ICT equipment)	36749	37300	38046
E20	ICT learning resources	20302	20607	21019

E21	Exam fees	0	0	0
E22	Administrative supplies	15000	15225	15530
E23	Other insurance premiums	8000	8120	8282
E24	Special facilities	0	0	0
E25	Catering supplies	12000	12180	12424
E26	Agency supply teaching staff	10000	10150	10353
E27	Bought in professional services - curriculum	6000	6090	6212
E28a	Bought in professional services - other	20000	20300	20706
E29	Loan interest	0	0	0
E30	Direct Revenue Financing (Revenue contributions to capital)	0	0	0
<b>Expenditure</b>		<b>1536046</b>	<b>1538827</b>	<b>1542850</b>
In-year Balance		82	452	-3571
Revenue Balance		90082	90534	86963
<b>Extended</b>				
B06	Community focused school revenue balances	0	0	0
Brought Forward		0	0	0
Income		0	0	0
Expenditure		0	0	0
In-year Balance		0	0	0
Extended Balance		0	0	0
<b>Capital</b>				
B03	Devolved formula capital balance	5000	0	0
B05	Other capital balances	0	0	0
Brought Forward		5000	0	0
CI01	Capital income	17000	17000	17000
Income		17000	17000	17000
CE02	New construction, conversion, and renovation	22000	17000	17000
Expenditure		22000	17000	17000
In-year Balance		-5000	0	0
Capital Balance		0	0	0

Signed and agreed by

Headteacher

Chair of Governing Body

Date:

## **CODINGS OVERVIEW**

In LB Hillingdon schools, three sets of coding frameworks exist to provide suitable reporting for schools, Local Authority, DfE and other government departments.

**Consistent Financial Reporting (CFR)** The CFR coding system was introduced in April 2003 as a national coding framework for schools. Income and expenditure should be mapped into these nationally comparable categories to support financial reporting and national benchmarking.

National Benchmarking - Schools are familiar with the national benchmarking website <https://schools-financial-benchmarking.service.gov.uk> which gives an insight into how schools compare financially with each other. Access to benchmarked data allows school managers to make better-informed decisions when deciding annual budgets, thus improving overall efficiency year on year. CFR also aims to facilitate networking between schools and encourage schools to look to each other for advice on best practice.

Local Benchmarking - Local benchmarking information based on CFR coding is available from the Schools Finance team via your link school finance officer.

Government data on directly employed staff - The government uses CFR returns as source data for identifying directly employed public sector staff, including directly employed agency staff. There is an important distinction between remunerated/salaried pay and non-remunerated/salaried pay expenditure in the CFR framework. If a cost to the school arises from the direct employment of a person, these costs must be recorded separately. This relates to direct employment, not labour received as part of a wider service contract. This is important because national statistics on unemployment and Gross Domestic Product (GDP) require identification of expenditure on public sector employees. All employees' related pay costs should be identified under CFR headings E01 to E07 and E31.

Curriculum and non-curriculum costs – There is a distinction between administration and curriculum costs associated with the running of schools. This can be an important area to benchmark in order to identify whether a school's administrative support is similar to that of other schools, and, in the longer term, whether such differences have any effect on performance. However, it is not expected that school staff expend a lot of effort in breaking down small expense items such as a photocopying job into administrative and curriculum elements. Rough apportionments should suffice for material amounts and allocations to just one heading will suffice for small amounts. Schools should exercise judgement on items such as these, taking account of the relative costs and benefits.

Committed and non-committed balances – It is important to distinguish between balances that are committed i.e. where plans exist for spending and non-committed balances i.e. where balances are held without any plans for expenditure e.g. contingency.

Balances – At the end of each financial year, a CFR report is generated for electronic upload to the DfE. The report includes both opening and closing balances and there is the opportunity to apportion the revenue closing balance between committed (where plans exist for spending) and non-committed balances (where balances are held without any plans for expenditure for including contingency).

Transparency - The Department of Education currently publishes all schools' CFR data as part of the Government's data transparency agenda.

**Ledger Codes** - were set up by the Local Authority and feed into both CFR and Cost Centre totals. They can give breakdowns within the other two coding frameworks for enabling detailed analysis of an income or expenditure area. The Local Authority stipulates which ledger codes should be set up and to which CFR code they should be mapped. LBH schools should not set up any ledger codes without reference to the Local Authority.

**Cost Centres** - are used by schools on a day to day basis for monitoring income and expenditure against budgets. Schools are free to adapt cost centres to suit their own needs.

**Coding Listing 2019-20**

Revenue Expenditure CFR Headings		Ledger Code	Description	Code Type	Notes
E01	Teaching Staff	A001	Teachers	ES	Directly employed staff only. Maternity refunds for teachers should be netted here
		A002	Teachers additional costs	ES	This is available for use only if the school wishes to separate additional costs
E02	Supply Staff	A003	Casual supply - (non-external agency)	ES	Directly employed teachers only - covering sickness, training, curriculum release and long term absences, non-external supply
E03	Education Support Staff	A006	Learning support assistant supply - (non-external agency)	ES	Directly employed casual staff only, who are covering sickness, training, curriculum release and long term absences, non-external agency.
		A008	Learning support assistant/welfare	ES	Directly employed staff only.
		A009	Foreign language assistants	ES	Directly employed staff only
		A015	Nursery nurse	ES	Directly employed staff only
		A016	Technicians	ES	Directly employed staff only
		A018	Education Support - overtime	ES	This is available for use only if the school wishes to separate overtime costs
E04	Premises Staff	A031	Cleaners	ES	Directly employed staff only
		A032	Schoolkeeper	ES	Directly employed staff only
		A033	Schoolkeeper overtime	ES	Directly employed staff only
		A034	Premises manager	ES	Directly employed staff only
		A035	Other premises staff	ES	Directly employed staff only - including grounds, maintenance and security staff
E05	Admin/Clerical Staff	A007	Admin./finance staff	ES	Directly employed staff only - including clerks to governing bodies and IT managers (if not teachers)
		A019	Admin./finance staff overtime	ES	This is available for use only if the school wishes to separate overtime costs
E06	Catering Staff	A030	Catering staff - direct costs	ES	Directly employed staff only including canteen cashiers and snack bar staff
		A017	Catering staff overtime - direct costs	ES	This is available for use only if the school wishes to separate overtime costs

Revenue Expenditure CFR Headings		Ledger Code	Description	Code Type	Notes
E07	Cost of Other Staff	A010	Midday supervision	ES	Directly employed staff only
		A011	SMSA	ES	Directly employed staff only
		A012	Other staff	ES	All staff directly employed in provision of pupil focused special facilities and extended school provision. Also including escorts (for pupils with medical or special educational needs), liaison officers and medical staff, youth workers
		A014	Other staff overtime	ES	This is available for use only if the school wishes to separate overtime costs
E08	Indirect Employee Expenses	A051	Advertising appointments	EX	Recruitment advertising costs
		A055	Other employee costs	EX	Includes payroll charges such as childcare vouchers (costs & netting off) NQT loans, DBS & medical fees. (Payroll provider charges should be coded under E28.)
		A056	Apprenticeship Levy	EX	Cost of Apprenticeship Levy
		A061	Lump sum redundancy	EX	
		A062	Other severance payments	EX	
		A154	Council tax - staff	EX	
		A208	Public transport reimbursed	EX	
		A211	Car allowance	EX	Also can be used for car parking fees
		A252	Staff free meals / duty meals	EX	
		A303	Telephone/other expenses - premises staff	EX	Includes telephone and energy paid as per employment contracts
		A323	Accommodation/subsistence-non curriculum	EX	
E09	Staff Development & Training	A070	Staff training / catering staff training - food hygiene	EX	Cost of courses and resources for training and development
E10	Supply Teacher Insurance	A059	Sickness insurance premiums-Teaching staff	EX	
E11	Staff Related Insurance	A063	Employee related insurances	EX	Cover for accident and liability, assault, fidelity guarantee, libel and slander
		A060	Sickness insurance premiums-Non teaching staff	EX	
E12	Building Maintenance & Improvement	A100	Building repairs/maintenance	EX	
		A101	Major repairs & alterations	EX	Not to be confused with capital projects



E13	Grounds Maintenance & Improvement	A120	Grounds	EX	Including maintenance and improvements for car parks, play area, sports fields and playground equipment
Revenue Expenditure CFR Headings		Ledger Code	Description	Code Type	Notes
E14	Cleaning & Caretaking	A170 A172 A173 A174	Contract cleaning Cleaning materials Cleaning equipment Other cleaning/caretaking	EX EX EX EX	Including caretaking contracts
E15	Water & Sewerage	A160	Water rates	EX	Water & <b>sewage</b> rates
E16	Energy	A143 A144 A145	Electricity Gas Other energy	EX EX EX	
E17	Rates	A157	Rates	EX	
E18	Other Occupation Costs	A102 A103 A104  A105  A153  A164 A262	Pest control Electrical testing & contracts Fire & security  Other Occupation costs  Rent  Refuse collection Laundry & hygiene & contracts	EX EX EX  EX  EX  EX EX	Includes security patrols, CCTV and burglar alarms maintenance contracts & fire-fighting equipment Includes Health and Safety costs not covered by other ledger codes in E18 Includes rent, lease or hire charges for premises and landlord service charges Includes paper towels, toilet rolls, hand driers
E19	Learning Resources (not ICT)	A180 A209 A213  A215 A220  A221 A222 A223	Furniture classroom Pupils public transport Direct transport costs  Contract transport Consumables – curriculum  Books – curriculum Stationery - curriculum Photocopying & printing - curriculum	EX EX EX  EX EX  EX EX EX	Including minibus fuel, tax (but not insurance see E23)  Includes achievement prizes for pupils, subscriptions, periodicals for teaching purposes

		A224	Equipment - curriculum	EX	Includes servicing and repairs to curriculum equipment including musical instruments, AVA and PE equipment (but not ICT equipment), TV and curriculum license fees (not ICT)
		A229	Pupil Bursary Payments	EX	
Revenue Expenditure CFR Headings		Ledger Code	Description	Code Type	Notes
E19	Learning Resources (not ICT)	A280	Sports instruction	EX	Swimming lessons only. For sports instructors see E27  Payments to alternative provision services including pupil referral units (PRU), non-maintained special schools (NMSS), and independent schools.
		A322	Accommodation/subsistence-curriculum	EX	
		A325	Trips, accommodation & entry fees	EX	
		A331	School library service	EX	
		A336	Alternative provision	EX	
E20	ICT Learning Resources	A225	Computer - curriculum	EX	Includes licenses, software, hardware (if not a capital project i.e. above de minimus level), maintenance/engineering/system back up contracts and cost of broadband, ISDN, ASDL and other dedicated phone lines, Fischer Family Trust reporting system
E21	Exam Fees	A290	Examination fees	EX	Includes administrative costs such as external marking fees. <b>Not normally used by primary schools.</b>
E22	Administrative Supplies	A171	First aid and toiletries	EX	Furniture not used for teaching purposes  Includes subscriptions and periodicals not for teaching purposes. Can include Governors expenses  Inc. Licences, maintenance contracts not for teaching purposes Computer software, hardware (if not a capital project), maintenance/engineering/system back up contracts, SIMS licence & support, HCSS links
		A181	Furniture general	EX	
		A230	Consumables - non curriculum	EX	
		A231	Books - non curriculum	EX	
		A232	Stationery - non curriculum	EX	
		A233	Photocopying & printing - non curriculum	EX	
		A234	Equipment - non curriculum	EX	
A235	Computer - non curriculum	EX			
		A301	Postage	EX	

		A302	Telephone	EX	Includes IP telephony, not dedicated internet lines Includes parents reports and school brochures/marketing and advertising costs other than recruitment Including cashless payments/income charges
		A321	Marketing expenses	EX	
		A334	Bank charges	EX	
Revenue Expenditure CFR Headings		Ledger Code	Description	Code Type	Notes
E23	Other Insurance Premiums	A190 A217	Insurance non-employee related Transport insurance	EX EX	
E24	Special Facilities including pupil focused extended schools resources	A333 A400 A401 A402 A403 A430	Hub & Beacon Schools payments to other schools Pupil Focused Ext Sch Resources Other Special Facility Costs Special Facility Indirect Staff Costs Special Facility Agency Staff Purchase of trading items for sale	EX EX EX EX EX EX	Payments to other schools for the benefit of their pupils Includes before and after school resources Includes home to school transport, swimming pools and sports centres
E25	Catering Supplies	A250 A251 A253 A254	Miscellaneous catering costs School meal costs/contracts (food) Catering equipment Cleaning & maintenance including deep clean	EX EX EX EX	Includes agency catering staff, marketing, professional services & recharges  Not if part of capital project Includes protective clothing / safety checks / repairs and maintenance of kitchen equipment
E26	Agency Supply Teaching Staff	A004	External agency teaching supply	EX	Agency teachers only - covering sickness, training, curriculum release and long term absences
E27	Bought-in Professional Services - Curriculum	A324 A021	Professional fees - curriculum External Agency curriculum support staff	EX EX	Includes consultancy including ICT, visiting speakers and lecturers courses purchased for pupils, self-employed or LA charged music teachers, exam invigilators and PE/sports instructors Ledger code can be linked to Education Support Cost centre, including agency Nursery Nurses and LSAs
E28a	Bought-in Professional Services -Other (except PFI)	A330 A022	Professional fees - non curriculum External Agency non - curriculum support staff	EX EX	Includes consultancy and advice to staff and governors, management fees  Ledger code can be linked to Admin Staff, Premises Cost centres etc.

E28b	Bought-in Professional Services –Other (PFI)	N/A	Professional fees in relation to Private Finance Initiative Schools	N/A	Not used by LB Hillingdon maintained schools
E29	Loan Interest	A335	Loan Interest	EX	
E30	Direct Revenue Financing (contribution to Capital)	A200	Revenue contribution to capital project	EX	
Revenue Expenditure CFR Headings		Ledger Code	Description	Code Type	Notes
E31	Community focused school Staff	C001	Teaching staff costs - Community focused	ES	Direct teaching for services to pre-school children and adults
		C008	Other staff costs - Community focused	ES	Direct staffing for services to pre-school children and adults
E32	Community focused school costs	C051	Recruitment costs - Community focused	EX	For services to pre-school children and adults
		C070	Training - Community focused	EX	For services to pre-school children and adults
		C143	Electricity - Community focused	EX	For services to pre-school children and adults
		C144	Gas - Community focused	EX	For services to pre-school children and adults
		C145	Transport - Community focused	EX	For services to pre-school children and adults
		C220	Consumables - Community focused	EX	For services to pre-school children and adults
		C224	Equipment - Community focused	EX	For services to pre-school children and adults
C225	Other - Community focused	EX	For services to pre-school children and adults		

Revenue Income CFR Headings		Ledger Code	Description	Code Type	Notes
I01	Funds delegated by the LA	A991	Delegated Budget	IN	Includes Early Years Single Formula Funding, Additional 15 hours Nursery Funding, 2 Year Old Funding, Teacher Pay and Pension Grants
I02	Funding for sixth form students	A992	Sixth form funding	IN	
I03	SEN Funding	A993 A901 A908 A909	Delegated SEN Funding SEN recoupment - Teachers SEN recoupment - Support staff Other SEN income	IN IN IN IN	Includes Disability Access Funding
I04	Funding for minority ethnic pupils	A994	Ethnic Minority Grant	IN	Any publicly-funded source intended to promote access and opportunity for minority ethnic pupils
I05	Pupil Premium	A995	Pupil Premium funding	IN	Including income from other councils
I06	Other government grants	A996	Other Government Grants	IN	Includes income from National College for Teaching and Leadership and School Direct salaried funding. Not including government income for goods or services provided by school back to government department
I07	Other Grants & Payments	A997  A900 A904 A905 A926	Other Payments  Milk subsidy grant Supply Teacher income Income from Hub & Beacon Schools Other Grant Income	IN  IN IN IN	Includes recycling income Includes Payments received from other schools, e.g from a partner school in a collaboration or cluster to meet supply cover costs to enable your school to participate in activities organised by the partner school primarily for the benefit of your own and other schools.  Includes lottery and EU grants Funding accessed from LA Apprenticeship Levy account
I08a	Income for Lettings	A910 A911	Lettings income – vatable Lettings income – non-vatable	IN IN	

Revenue Income CFR Headings		Ledger Code	Description	Code Type	Notes
I08b	Other Income from Facilities & Services	A870	Sale of uniforms, materials & equipment	IN	Includes income from feed in tariffs (energy)
		A873	Photocopying Income	IN	
		A891	Transport income	IN	
		A920	Rent Income	IN	
		A925	Tuition fees income	IN	
		A927	Training teacher placement income	IN	
		A931	Telephone income	IN	
		A948	Utility recharges	IN	
		A952	Examination fees income	IN	
		A953	Other fees and charges	IN	
		A954	Income from meals provided to other schools	IN	
		A955	Income from Before/After School & Holiday Club	IN	
		A956	Income from consultancy	IN	
		A960	Interest received	IN	
A155-02	Childrens Centre premises costs	IN			
I09	Income from Catering	A871	Pupil meals income	IN	Includes income for school milk provision
		A872	Staff meals income	IN	
		A874	Other catering income	IN	
I10	Receipts from Supply Teacher Insurance Claims	A903	Receipts from teacher insurance claims	IN	Excluding refunds for maternity leave (see E01)
I11	Receipts from Other Insurance Claims	A902	Receipts from non- teaching insurance claims	IN	Please contact Schools Finance Team if this is for a capital item
		A950	Receipts from other insurance claims	IN	
I12	Income from Contributions to Visits etc.	A963	School trips income	IN	Income from parents to cover damage done by a pupil
		A964	Damage income	IN	
I13	Donations and/or Private Funds	A860	Donation income	IN	Includes income from sponsorship, foundation diocese or trust funds & fundraising activities to be used for educational benefits for students
I14	Blank code		Not in use	IN	
I15	Pupil focused extended school funding	B926	Pupil-focused extended school funding	IN	
I16	Community-focused school funding	C926	Community-focused school funding	IN	

Revenue Income CFR Headings		Ledger Code	Description	Code Type	Notes
I17	Community-focused school facilities income	C870	Sale of Equipment	IN	
		C871	Catering income	IN	
		C873	Photocopying Income	IN	
		C891	Transport Income	IN	
		C910	Lettings - vatable	IN	
		C911	Lettings - non-vatable	IN	
		C920	Rent Income	IN	
		C925	Tuition Fees income	IN	
		C931	Telephone income	IN	
		C948	Utility recharges	IN	
		C952	Examination fee income	IN	
		C953	Other fees / charges	IN	
I18	Additional Grants for Schools	A918	Additional Grants for Schools	IN	Includes Universal Free School Meals Income and PE Sports Grant & <b>Additional FSM funding</b>
Capital Expenditure		Ledger Code	Description	Code Type	Notes
CE01	Acquisition of Land & Existing Buildings	CP04	Acquisition of land & existing buildings	EX	
CE02	New Construction, Conversion and Renovation	CP10	Design costs	EX	
		CP11	Supervision costs	EX	
		CP12	Contract building	EX	
CE03	Vehicles, Plant, Equipment & Machinery	CP70	Acquisition/replacement of vehicles	EX	
		CP 71	Acquisition of equipment	EX	
CE04	Information and Communication Technology	CP73	Acquisition of computer hardware & software	EX	
Capital Income		Ledger Code	Description	Code Type	Notes
CI01	Capital Income	CP90	Devolved Formula Capital Income	IN	
		CP92	Other Capital Income including extended schools capital income	IN	
CI03	Private Income (contrib.to Capital)	Y690	Private Income for capital project	IN	
CI04	Direct Revenue Financing (contrib.to Capital)	Y680	Revenue Income for capital project	IN	

**APPLICATION FOR CASH ADVANCE REPROFILING**

**Memo**

From:		
School		
Date		
To:	Graham Young – Lead Finance Business Partner (D.S.G. / Schools)	School Finance Team, 4W/04 Civic Centre

Please advance £..... to the school’s nominated bank account as soon as possible. This will be required for a period of \_\_\_\_\_ months.

I accept that the school will be liable for interest charges at the prevailing LIBOR rate for **advances** up to 12 months. If in exceptional circumstances the **advance** is not repaid within the specified period then I will write to the Lead Finance Business Partner, (D.S.G. / Schools), Schools Finance to request an extension and agree to pay interest at the rate prevailing at that time based on the principal sum and extension period.

I note that the school will not be able to apply for a further supplementary **advance** until one calendar month has passed from the date of the cash advance being applied for today.

Signed on behalf of the school:

**Headteacher** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Chair of Governors:** \_\_\_\_\_ **Date:** \_\_\_\_\_



## MODEL DECLARATION OF INTERESTS FORM

### School Name & Logo

School Address

Telephone

Email address

### Register of Interests (Governance)

Full Name

*Please tick ✓ all applicable statements given below*

- I am a ...
- School Governor
  - Clerk to Governors
  - Member of School Staff
  - Associate Member of Governing Body

I understand that it is my legal duty to declare on this form

- My relevant business and pecuniary interests (direct or indirect, of myself or of the members of my immediate family);
- All governance roles or employment in other educational institutions;
- Any material interests arising from relationships between governors or relationships between governors and school staff (including spouses, partners and close relatives); and

I also understand that it could be considered a criminal offence to:

- omit information which should be included on this form;
- provide information which is false or misleading;
- fail to notify the Clerk to Governors of any subsequent change in circumstances which might render this declaration invalid or out of date.

***I declare that I hold the following personal and/or pecuniary interest(s)***

Pecuniary interests	Please provide clear details of the interest
Current employment	
Businesses (of which I am a partner or sole proprietor)	
Company directorships – details of all companies of which I am a director	
Charity trusteeships – details of all companies of which I am a trustee	

Membership of professional bodies, membership organisations, public bodies or special interest groups of which I am a member and have a position of general control or management	
Gifts or hospitality offered to you by external bodies while acting in your position as a governor/trustee and whether this was declined or accepted in the last 12 months	
Contracts offered by you for the supply of goods and/or services to the trust/school	

Pecuniary interests	Please provide clear details of the interest
Any other conflict	

Personal interests	Name	Relationship to me	Organisation	Nature of the interest
Immediate family/close connections to governor/trustee				
Company directorships or trusteeships of family/close connections to governor/trustee				

**If you are a governor or trustee of any other schools and/or academies, please provide details below:**

<b>Name of school/academy</b>	
<b>Position held</b>	
<b>Date appointed/elected to post</b>	
<b>Date of termination to post</b>	

***If you have no such interests please write "NIL" in the table above – for completeness of the school's records NIL returns are needed.***

*To the best of my knowledge the information supplied above is correct and complete. I understand that it is my responsibility to declare any conflict of interest/loyalty, business or personal that relates directly or indirectly, to myself or any relation in any contract, proposed contract or other matter when present at a meeting at the school where such contract or matter comes under consideration. I understand that I must withdraw from any meeting during the discussion of such contract or matter and must not vote in respect of it.*

*I agree to review and update this declaration annually and give consent for the information provided to be used in accordance with the trust/school's conflicts of interest policy.*

*I certify that ...*

- I have declared all interests which I or the members of my immediate family have with businesses or other organisations which may have dealings with the school.
- I will also undertake to inform the Clerk to Governors of any change in these business interests.
- If a matter arises at a meeting in which I have an interest, I shall at the meeting, and as soon as practicable after its commencement, disclose the fact and withdraw from the meeting during the consideration or discussion of the contract or matter and shall not vote on any question with respect to the contract or matter.
- I understand that my declarations of interest will be published on the schools website in line with legal requirements.

Signed \_\_\_\_\_ Date \_\_\_\_\_

***This form must be reviewed, completed annually and returned to the Clerk to Governors.***

## **POLICY ON CHARGING FOR SCHOOL ACTIVITIES**

1. It is the policy of the LA that a charge made for board and lodging on residential visits is exempt for children in receipt of Free School Meals. The costs involved are to be met from the school's delegated budget.
2. Further details are contained in the document "Model Charging for School Activities Policy" available on the Schools Finance web page.

## **POLICY ON COMMUNITY USE OF SCHOOL PREMISES**

Control of school premises both inside and outside school hours, rests with the governors and is subject only to reasonable LA directions with full account being taken of the particular circumstances of VA schools. The School Standards and Framework Act 1998, **Schedule 13**, provides that a local authority may give such directions as to the use and occupation of the premises of a community school as it thinks fit.

## **PENSION RETURNS GUIDANCE**

### **PENSION DATA REQUIRED FROM SCHOOLS (MONTHLY) FOR TEACHERS AND NON-TEACHING STAFF**

Schools are required to make Teachers Pensions returns to the Schools Finance Team and the LGPS schedule to Surrey County Council each month in order that pension contributions can be reconciled and credited to the correct employee record:

- LGPS schedule (to include all non-teaching members of the LGPS), showing pensionable pay, FTE and employee & employer contributions (see Appendix A). This must be received via email to: [myhelpdeskpensions@surreycc.gov.uk](mailto:myhelpdeskpensions@surreycc.gov.uk) by the end of the month.
- LGPS Payment (must be credited before the end of the month) to London Borough of Hillingdon Pension Fund. Lloyds Bank PLC. Sort Code: 308012 Account No: 11608560. Quote school name in the reference field. This must match the total of the LGPS schedule.
- **TP Monthly Data Collection (MDC)** (including all teachers who have opted out of the pension scheme) showing pensionable pay, employee & employer contributions (see Appendix 11B). This must be emailed to [ehill@hillingdon.gov.uk](mailto:ehill@hillingdon.gov.uk) by the last working day of each month.
- TP payment (must be credited **by 3rd** of the following month) to **Lloyds** Bank plc, Sort Code: **308012**, Account **11520160**. Quote school name in the reference field. This must match the total of the TP schedule which is sent to the LB Hillingdon Pensions Officer, Elaine Hill.
- **LGPS** Individual new starters showing full time/part time salary & part time percentage (taking account of term time only percentage). Separate notification for each non-teacher.
- **LGPS** Individual changes to full time salary, or part time percentage (taking account of changes to term time percentage). Separate notice for each.

## APPENDIX 11A

### **LGPS Schedule** (Excel Format):

	<b>Column</b>	<b>Details</b>
A	NI Number	National Insurance Number
B	Emp No	Employee Number
C	Surname	Employee Surname
D	Forenames	Employee First Name(s)
E	Date of Birth	Format: dd/mm/yyyy
F	Employer	School Code (to be notified)
G	Cont Rate	Banding Rate
H	PT Percent	Part Time Percentage
I	Contract Hours	Weekly Contractual Hours
J	PT Percent Calc	Formula used to calculate PT Percentage
K	Eee Conts Date	Month End Date
L	Eee Conts	Employee Contributions to date (annual)
M	Actual Rem Date	Year End Date (31 March YYYY)
N	Actual Rem	FTE Annual Salary
O	Pens Rem Date	Month End Date
P	Pens Rem	Pensionable Pay to date
Q	Add Conts Date	Month End Date
R	Add Conts	Additional Contributions to date
S	Eee Conts	Employee Contributions this month
T	Eer Conts	Employer Contributions this month

Any changes to personal details (e.g. Address) should be notified by completing the relevant form available via the Pensions pages of Hillingdon's website <http://www.hillingdon.gov.uk/article/6490/Booklets-and-forms>

## APPENDIX 11B

### **TP Monthly Data Collection (MDC) Schedule** (Excel Format):

Column	Details
Teacher reference Number	Teacher's individual reference number
NI No	Teacher's National Insurance Number
Forenames	
Surname	
Address Line 1	
Address Line 2	
Address Line 3	
Address Line 4	
Address Line 5	
Post Code	
Date of Birth	Format: ddmmyyyy
Local Authority Number	312
Establishment Number	DfE School Number
Start Date	Effective date of line (ddmmyy)
End Date	End date of line (ddmmyy)
Withdrawal Confirmation	W (if leaver)
Excluded Days	Days of Unpaid Leave, Unpaid Maternity or
Full Time Part Time	F=0, Regular Part Time=7, Supply=8
Annual Full Time Salary	Salary including Basic Pay and Allowances
Part Time Salary Paid	Actual Part time earnings (0 if FT)
Additional Contributions	Past added years, additional pension, faster
Overtime	Not applicable if safeguarded pension
Email	Preferably personal email
Employer Contributions	Do not use
Member Contributions	Do not use
Gender	M=1, F=2

Overtime (one to one and out of school learning activities) are non-pensionable for full time teachers in the safeguarded Teachers Pensions scheme.

Overtime is pensionable for teachers in the Career Average Scheme.

**All Teachers must be opted into the Teachers' Pension Scheme unless you have confirmation that they have elected to opt-out. If in doubt please contact Elaine Hill in the first instance.**



### Guidance Regarding Payments by Schools to Contractors

#### Introduction

**Where a contract is between a school head teacher or governing body and the subcontractor (i.e. not with the Local Authority) Construction Industry Scheme (CIS) reporting is not required.** This means the school can pay the subcontractor direct and do not have to forward invoices and payments to the School Finance Team at the Civic Centre.

The main guidance to the new scheme can be viewed on HM Revenues and Customs website

<https://www.gov.uk/topic/business-tax/construction-industry-scheme>

Although the changes mean that schools can pay for construction payments made from delegated budget resources through their local accounting systems, there are certain responsibilities for schools in terms of reporting payments for services to HMRC and checking the employment status of workers.

- Construction work paid for from delegated school budgets is outside the scope of CIS if the contract is directly with a school
- If the contractor is self employed they can be paid by the school without a deduction of tax
- If the contractor is 'employed' they must be paid through payroll. Schools must consider this issue before engaging contractors
- If a payment is made by the school on a valuation certificate or pro forma invoice the VAT paperwork must be obtained by the school and retained for inspection
- Invoices for construction work paid for from non delegated budgets or where the contract is with the LA must be sent to the Council for payment as this work is still within the scope of CIS
- Schools must keep records of payments for external services in the format required for a Taxes Management Act S16 return

## **Contents**

Section 1	Construction Industry Scheme	<a href="#"><u>Scheme</u></a>
Section 2		<a href="#"><u>Checking Employment Status</u></a>
Section 3		<a href="#"><u>VAT and Payments for Construction Work</u></a>
Section 4		<a href="#"><u>Non Delegated Budget Expenditure</u></a>
Section 5		<a href="#"><u>What Is Covered By the Definition of Construction Work</u></a>
Section 6		<a href="#"><u>Taxes Management Act 1970 Section 16 Return</u></a>

## **Section 1 Construction Industry Scheme**

- **Since** April 2007 all payments made by schools to sub contractors for construction work from delegated budgets have been outside the scope of CIS.
- This means that payments to sub contractors can be made locally by schools from their delegated funds.
- The sub contractor can be paid 'gross' without a deduction of tax providing that the sub contractor is self-employed in terms of the work they have carried out.
- The Head Teacher is the agent of the Council when making these payments.

## **Section 2 Checking Employment Status**

- Although payments made directly by schools are no longer within the scope of CIS the employment status of a worker still needs to be thought about carefully
- Even if a sub contractor is self employed in terms of running their own business they may be classified as an employee of the school in some circumstances
- The employment status should be agreed between the school and the sub contractor before any contracts are entered into as this affects the way in which the worker is paid
- It can be quite difficult to ascertain whether a worker is employed or self employed in terms of a particular task that they are engaged to carry out
- **Always carry out an employment status for tax check when entering into a new contract and obtain their Unique Tax Reference (UTR) number**

<https://www.gov.uk/guidance/check-employment-status-for-tax>

- **Further guidance is available on Payments to Individuals from the Schools Finance web page**
- If the worker is an employee they must be paid through the a payroll facility with deduction of tax through PAYE and not paid directly by the school

## **Section 3 VAT and Payments for Construction Work**

- If a contract payment is made by a school to a sub contractor based on a valuation certificate the sub contractor should send an authenticated receipt to the school within 14 days

- The authenticated receipt (AR) is required as evidence for recovery of VAT
- HM Revenues and Customs may want to see the AR if they carried out an inspection
- If the sub contractor does not provide the AR automatically the school will need to ask for it
- If a payment is from a delegated budget the Head Teacher acts as the agent of the LA and VAT is normally recoverable under the Council's VAT registration
- All records relating to sub contractor payments must be kept by schools for 6 years
- Failure to produce tax paperwork may result in an assessment by HMRC and repayment of the VAT already claimed

#### **Section 4 Non Delegated Budget Expenditure**

- If construction expenditure is funded by the LA outside of the delegated budget CIS will still apply and payments must be made to a sub contractor through central payments.
- If a contract for construction work at a school is placed by the LEA, the payment is within the scope of CIS and the Council must pay the sub contractor even if the spend is from a delegated budget
- Major Capital schemes are still likely to fall under the scope of CIS as these will not be funded from delegated budgets
- Schools must make sure that sub contractors are aware of the fact that major construction contract scheme payments will be made by the Council, and therefore be subject to any CIS deductions, if the contract is not with the school.

#### **Section 5 What Is Covered By the Definition of Construction Work**

- Painting & Decorating
- Glazing (except for repair of glass in existing frame)
- Plumbing (inc. installing heating, air conditioning, ventilation, water supply etc)
- Electrical works (inc. installing computers, interactive whiteboards, power supply, lighting etc)
- Playground Re-surfacing (plus installation of Playground equipment)
- General building works (e.g. refurbishment, partitioning)
- Roofing
- Carpentry (only when involving a fixed structure – e.g. fix shelf to wall)

- Erection/ dismantling of scaffolding
- Landscaping
- Fencing
- Asbestos removal
- Damp-proofing

**Note:** The general rule is work **altering a fixed structure** in any way. However there are exceptions such as some security works like installation of alarm systems.

## **Section 6 Taxes Management Act 1970 Section 16 Return**

- HMRC may require a declaration under S16 of the Taxes Management Act
- This will cover all payments that have been made to non employees for external services
- Schools should keep a record of all payments made for external services
- HMRC have a preferred format for a return under the Taxes Management Act
- There is a template for the spreadsheet on HMRC website

<https://www.gov.uk/government/collections/statutory-notice-guides>

- Schools must keep records of payments for external services in such a way that a return could be produced for HMRC on request
- Schools will be responsible for payments of any penalties from HM Revenues and Customs arising from non-compliance on reporting for tax matters, direct payments to employees that should have been made through payroll and failure to produce evidence for VAT Recovery.



HILLINGDON  
LONDON

# LONDON BOROUGH OF HILLINGDON

## PROCUREMENT PURCHASE CARDS

### REGULATIONS AND USER GUIDANCE

*Schools Finance Team (v9.0 December 2019)*

**PROCUREMENT PURCHASE CARDS**  
**REGULATIONS AND USER GUIDANCE**

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## **INTRODUCTION**

Procurement Purchase cards ("p-cards" or GPC cards) are cards that can be used to purchase goods or services. They are used to make purchases on behalf of the school and the school pays the card statements.

Purchase / Charge cards are available from most high street banks. All expenditure must be paid off each month from schools own bank accounts by direct debit and restrictions can be placed limiting their use to certain commodities or suppliers. .

The following information identifies the rules and regulations that schools must adhere to if they choose to adopt the purchase card system.

The Scheme for Financing Schools bars schools from credit arrangements. Therefore the balance on purchase card accounts **MUST** be cleared at the end of each month by direct debit and before any interest becomes due. The school is responsible / liable for all expenditure on the card and for paying off the monthly statement.

The basic objective of using the purchase card is to reduce paperwork and administration time, particularly for low value goods and services and to enable schools to access online discounts.

It is for the governing body of the school, guided by the Headteacher, to determine whether it is appropriate for the school to operate a purchase card facility. Schools considering operating a purchase card should read the whole of this guidance before making a final decision so that they are as well informed as possible prior to making that decision.

## **GOVERNING BODY APPROVALS REQUIRED**

The Governing Body must agree the use of a purchase card system within their school. This should be minuted together with the Governing Body's approval of the following:

- Who is to act on the school's behalf as the **Purchase Card Operator**
- Who the **cardholders** are to be. LB Hillingdon recommends that this should be a maximum of 2 cardholders for Nursery, Primary and Special Schools and 3 cardholders for Secondary Schools.
- Who acts as the school's **Purchase Card Authoriser**.

Please note that Authorisers cannot be cardholders and likewise the Operator cannot be the Authoriser.

- The **credit limit** i.e. the total amount that can be outstanding on the school purchase card account i.e. the total limit to cover all the school cards. LB Hillingdon stipulates that this limit should be no higher than **£6,000** per month.
- The **individual card credit limit and transactions limits** i.e. the total amount that

can be outstanding on each Purchase card at any time and the maximum amount to be spent on any one transaction. These limits should be set by the Governing Body and must not exceed the total credit limit applicable to your school.

- The **School Financial Management Policy** must be reviewed to include the Purchase card procedures and limitations. The wording recommended is as follows *“Use of the Purchase Card is permitted subject to the London Borough of Hillingdon’s ‘Regulations and User Guidance’ which has been adopted.”* If agreement has been made to put in place an individual card and transaction limit, then this should be stated in the Policy as a local decision.

Cardholders are responsible for ensuring that they do not exceed these limits at any time. Cardholders must also ensure that any expenditure will be within limits of individual budget areas and that appropriate approvals to spend are obtained.

Transactions may be undertaken over the telephone, by fax, in shops and over the Internet. The card must **ONLY** be used for School purchases and under no account may it be used for personal purchases.

## **APPLICATION PROCEDURES**

Schools should contact the Schools Finance Team in the first instance. An application will need to be completed by two signatories, in line with the signatories on your current bank mandate.

## **HOW THE FACILITY WILL OPERATE**

The purchase card will operate by having a monthly direct debit set up to the school’s local bank account to recover the full balance on the account. This will ensure that there are no outstanding amounts on the card(s) at the end of the month.

Due to the direct debit being in operation there will be no charges as there will not be any late payments.

Schools need to take responsibility of their own cash flow management to ensure they have sufficient funds available to pay off the balance monthly in addition to the normal costs of the school.

If a member of staff leaves the schools employment the card needs to be cut up and disposed of. A new additional application will need to be submitted if it is deemed necessary to issue a card to an alternative member of staff.

Internal Audit may carry out short notice audits of p-cards at any time.

## **CARDHOLDER PROCEDURES**

The School's Purchase Card Operator must ensure they have a record of each Cardholder's Specifics (see Annex 1) and issue cardholder's with the **Cardholder Rules and Employee Agreement** (Annex 2).

The card is issued in the cardholder's name and it will be assumed that the cardholder has incurred all the expenditure on that card. An acknowledgement of responsibilities (Annex 2) must be signed by the cardholder prior to their acceptance of the card and kept by the School's Purchase Card Operator.

Before using the purchase card a school Purchase Order should be processed to create a commitment on the schools accounting system. Alternatively a "permission to spend" form can be completed and authorised (to be the equivalent of a purchase order). A Permission to Spend form is on Annex 6. Before authorisation a check should be made that expenditure will be within budget limits.

When using the card, cardholders must record each transaction (a transaction record form is provided in Annex 3). This must be passed to the School's Purchase Card Operator every month, so that the expenditure incurred can be checked and passed for authorisation. Delivery notes, invoices, VAT invoices and payment slips should be attached to the transaction record.

Any cardholder not adhering to these procedures will have their card withdrawn and be liable to disciplinary procedures/prosecution.

## **ROLE OF THE PURCHASE CARD OPERATOR**

The Operator must:

- ❑ Keep records of all cardholders and issue rules of use
- ❑ Review cardholder card statement, transaction record and receipts to ensure that expenditure is appropriate and that budgetary control reports accurately reflect purchasing card transactions.
- ❑ The Operator must keep a record of all transactions for audit purposes
- ❑ Only the monthly direct debit needs to be recorded on the school system. Instructions for schools using SIMS FMS6 are in Annex 7.
- ❑ Where VAT has been charged, a suitable invoice should be available or where appropriate electronic data held.
- ❑ The Operator must add any assets purchased costing over £250 to the school inventory.

## **ROLE OF THE PURCHASE CARD AUTHORISER**

Each month the Authoriser must approve, sign and date the transaction records and purchase card statements as reconciled.

**CARDHOLDER SPECIFICS**

School Name:	
Cardholder Name:	
Post Held in School:	
Authorising Officer:	
Transaction Limit:	£
Monthly Card Limit:	£

<b>Contact</b>	<b>Name</b>	<b>Telephone Number</b>
Card Operator		
Lost / Stolen Cards		

## CARDHOLDER RULES and EMPLOYEE AGREEMENT

.....School issues a Purchase card to  
Ms/Mr/Mrs..... as a cardholder.

### CARDHOLDER SECURITY

- The cardholder agrees to use the card only for appropriate London Borough of Hillingdon .....School business purchases, to use good judgement and act responsibility when using the card.
- The cardholder must sign the card as soon as it is received.
- Only the cardholder named on the card may use the card, it must not be lent to anyone else. It will be assumed that activity has been incurred solely by the named cardholder.
- The card pin number must not be written down, kept with the card or communicated to anyone else. Once the pin number has been memorised the notification should be destroyed.
- The card number should be known only to the cardholder and Card Operator and should not be written down or communicated to anyone else except in the course of a purchasing transaction. The Card Operator must maintain a secure record of card numbers and respective cardholders.
- The cardholder is responsible for the safekeeping of the card. Dependent upon the school's insurance policy the card is likely to only be insured if locked away or carried by the cardholder in their purse/wallet.
- The cardholder must report any discrepancies/errors to the Card Operator.
- The cardholder must retain all receipts and delivery documentation to attach to the transaction record until passed to the Card Operator.
- Fraudulent or misuse of the card may result in either revocation of user privileges or any other disciplinary actions, up to and including the possibility of termination of employment/prosecution.
- The card is to be returned immediately on request or upon changing jobs or on giving notice to terminate employment. The card should be cut in half across the magnetic strip and returned to the school officer appointed to administrate Purchase Cards.
- Random audits may be conducted for both card activity and retention of receipts and invoices. Suspension of the card or Disciplinary Procedures/prosecution could be invoked for improper use of the card.

If the card is lost or stolen, the cardholder must advise .....Bank immediately by telephone. **Telephone** ..... **and** also notify the School's Card Operator as soon as possible (at least by the following day if outside working hours).

**Transactions**

Before buying goods or services with the card, the cardholder must:

- Ensure that the goods or service that they propose to buy are **not** available from suppliers with whom the School already has a contract.
- Before using the purchase card a school order should be processed and authorised. Alternatively a "permission to spend" form can be completed and authorised (to be the equivalent of a purchase order). This is to ensure that expenditure will be within budget limits.
- Check that the value of the purchase is within their transaction limit.
- Check that the value of the purchase will not, when added to the existing balance on the card account, exceed the credit limit.
- Ensure that the supplier is able to accept payment by the card.

The following **must not** be purchased using the card:

- Personal or private goods or services
- Cash
- Goods or services from statutory bodies (e.g., electricity, gas, water)
- Payments to individuals including supply or permanent staff.

**Placing an Order**

The cardholder must place the order themselves, but only after authorisation of the expenditure is confirmed. The order is then placed in one of five ways:

- 1 By telephone, quoting the card number. Telephone orders must be delivered to the School's address.
- 2 By mail, where an application form can be completed with details for card payment.
- 3 By fax, providing the necessary card and delivery details.
- 4 Over the Internet (the golden rules are included as Annex 5)

- 5 Over the counter in a shop or premises where a VAT invoice can be provided. The following is a guide to the details which are required on a VAT invoice:

Details required	Invoices less than £250
Suppliers name and address	YES
Suppliers VAT registration number	YES
Date of supply	YES
Description of goods or services	YES
Overall cost of invoice	YES
Cost of goods and services, identifying the VAT rate and amount separately for each item	YES (for each VAT rate but not item)
The School's full name and address	NO

In all instances you must inform the supplier of: -

- The full card number and date of expiry.
- The full name of the cardholder (as shown on the card).
- School's name.
- The full delivery address.
- A clear description of the goods required.

The cardholder should ask the supplier for the total transaction amount and a customer reference (they may not provide this but the cardholder should ask – this will help in case the cardholder needs to query it in the future).

For some suppliers, details from the reverse of the card may be asked for or details of the billing address. This is for security reasons to help prevent fraud.

**However once the order is placed, do not leave paperwork containing your card number on view and keep it secure.**

### **Card Declined**

If your transaction is declined contact the school's card Operator. Potential causes are exceeding the monthly card limit or exceeding the individual transaction limit.

## **Rejection of Goods/Goods Incorrect**

If you reject the goods, ensure that you tell the supplier directly, as it is they who will arrange a credit to your purchase card account. The credit will appear on the monthly account statement and, therefore, must be entered on your transaction record. If you cannot come to mutual agreement with the supplier, you should inform the school's card Operator.

## **Transaction Record**

Your transaction record must be kept up to date. Details of goods/services received must also be recorded on the record. All receipts and delivery notes should be kept safe and reconciled to your transaction record. Where the supplier or shop provides receipts these documents must be retained as evidence of the transaction.

Where VAT has been incurred on a transaction, the amount of VAT should be clearly identified on the transaction log. VAT can only be reclaimed by the school where a VAT invoice or receipt is held by the school.

Care should be taken where goods are sourced outside the UK from the EU via say Amazon. Special rules apply here which are detailed in section 8.1 of the VAT Guidance for Schools, available on the Schools Finance web page

## **Authorisation**

Each month you must sign your transaction record and passed to the School's Card Operator for reconciliation with the card account statement and entry onto the school's accounting system. It will also be subject to review/authorisation by the Head Teacher or other designated authorised signatory.

I confirm receipt of a school Purchase card, that I have read and understood the Cardholder Rules above and "Regulations and User Guidance" and agree to comply with them.

Employee's Signature ..... Date .....

Head Teacher's Signature ..... Date .....

Card Operator's Signature ..... Date .....



## Transaction Record

Name .....Department .....

Date – log start ..... log finish .....

Transact Date / Ref	Supplier Name	Description of Goods / Services	Cost Centre code	Date Goods Rec'd	Total Value £*	VAT £	Net Value £	Attachments Del Note (1) VAT Invoice if required (2)
				<b>Monthly total</b>				

\*Record in the Total Value field the gross amount of the purchase (includes VAT)

Cardholder's Name..... Cardholder's Signature .....Date.....

I certify that the transactions summarised above have been incurred as part of the School's business and are chargeable to the cost centre codes shown.

Authorising Person's Name .....  
Signature..... Date .....

<b>Purchase Card – Lost /Stolen Notification</b>
--

Cardholder Name	
Department / Contact Number	
Card Number	
Date Lost/Stolen	
Location Lost/Stolen	
Brief Report of Circumstances Lost/Stolen	
Date Reported to Bank	
Name of Contact at Bank	
Date Reported to card Operator	

Give this form to the Card Operator as confirmation of your telephone call to the Bank and retain a copy for yourself.

## **TEN TOP TIPS TO FOIL THE FRAUDSTERS**

The following guide to using the card over the Internet has been devised; using information provided by Financial Fraud Action UK and is recognized as good practice.

- Don't let your cards or your card details out of your sight when making a transaction.
- Destroy, preferably shred, any documents or receipts that contain personal financial information when you dispose of them.
- Do not keep your passwords, login details and PINs written down.
- Do not disclose PINs, login details or passwords in response to unsolicited emails claiming to be from your bank or the police.
- When entering your PIN in a shop or a cash machine use your spare hand to shield the number from prying eyes or hidden cameras.
- Only divulge your card details in a telephone transaction when you have instigated the call and are familiar with the company.
- Make sure your computer has up-to-date anti-virus software and a firewall installed.
- If you have registered your card for online protection via *Verified by Visa* and *MasterCard SecureCode* ensure your password is kept safe and secure.
- Access internet banking or shopping sites by typing the address into your web browser. Never go to a website from a link in an email and then enter personal details.
- Shop at secure websites by ensuring that the security icon (locked padlock or unbroken key symbol) is showing in the bottom of your browser window.

Further guidance can be obtained from

[www.financialfraudaction.org.uk](http://www.financialfraudaction.org.uk)

**PURCHASE CARD**

**PERMISSION TO SPEND FORM**

This form is required to be authorised before any expenditure on behalf of the school is undertaken by a member of staff.

STAFF NAME.....

REASON FOR EXPENDITURE.....

.....

.....

.....

ESTIMATED COST £.....

If at the point of purchase the actual cost is more than 5% of the estimated price then the purchase will not be made. A new Permission to Spend should be completed with a more accurate spend.

AUTHORISED.....HEADTEACHER

DATE.....

## **GUIDANCE ON PROCESSING PURCHASE CARD PAYMENTS**

### **ON SIMS FMS6**

As an alternative to simply processing cashbook journals on receipt of the statement, it is now possible to set up a new ledger code for the charge card(s) held by the school with details of each card being recorded. This process has advantages in terms of showing commitments on FMS and providing an effective audit trail and is recommended when usage of the card increases. When the Charge Account Statement is received, an invoice is processed for each charge/supplier using the payment date as per the statement. A new Pay From Option can be selected for Charge Account and this will allow the invoice to be paid using Direct Payment Processing.



When the Bank Statement is received the items paid using the Charge Card must be reconciled using the Charge Account Reconciliation feature. A Cashbook Journal is then created to reconcile with the Bank.

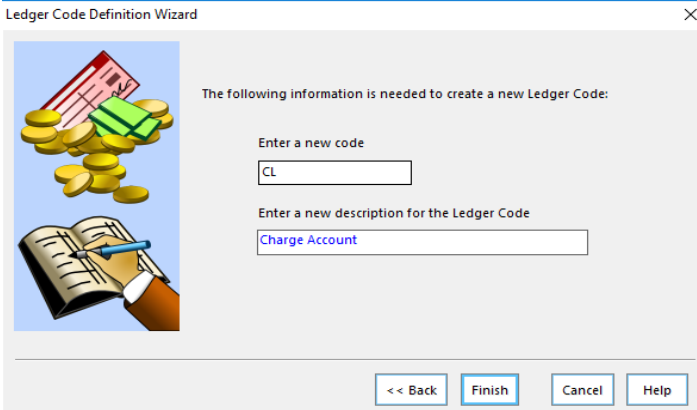
For each statement a payment must be paid monthly in full by Direct Debit. Payment processing must allocate costs to the appropriate cost centres, taking into account any VAT payable (the usual VAT rules apply for these purchases).


The original invoices will need to be clipped to the transaction log and statement. These invoices will show the amount of VAT to be processed for each transaction. Follow the authorisation procedures as detailed in “the Role of the Purchase Card Authoriser” and your Schools Finance Policy / LB Hillingdon’s Guidance to Schools on Financial Management.

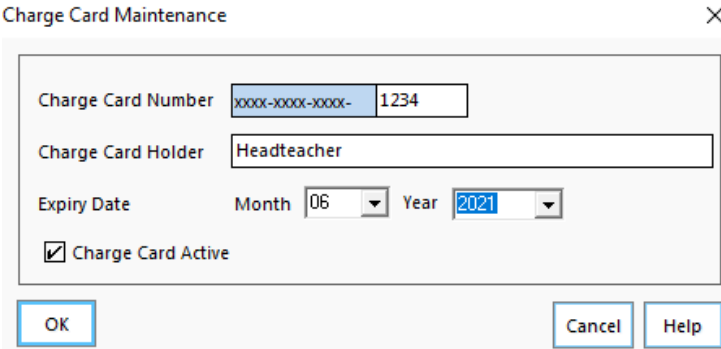
There is now a Charge Account Transaction Report available providing detailed transactions for a selected year, both paid and unpaid invoices/credit notes.

## Adding a Charge Account Ledger Code

- Tools > General Ledger Setup > Tab5: Ledger Codes
- Click on 
- Select the type of ledger code as Charge Liability from the drop-down list
- Click Next
- Select the Ledger Group e.g. Liabilities by clicking on the browser 
- Click Next and enter a new code e.g. CL together with a description such as Lloyds Charge Account



- Finish
- Within Ledger Code Definition add bank details as required and then click on  next to Charge Card Details
- In the Charge Card Maintenance menu enter the last four digits of the Charge Card Number
- Enter the name of the Charge Card Holder



- Select the month and Year of expiry
- Additional cards can be added as required

## Charge Account Statement received

- An invoice needs to be processed for each charge / supplier
- Select Order Invoice assuming a Purchase Order has already been raised
- Select the Pay From browser and choose Charge Account


Invoice Number: 2016/0001  
 Invoice Date: 01/01/2017  
 Invoice Total: 360.00  
 Pay From: [Searchable field]  
 Posting Period: 10 Jan

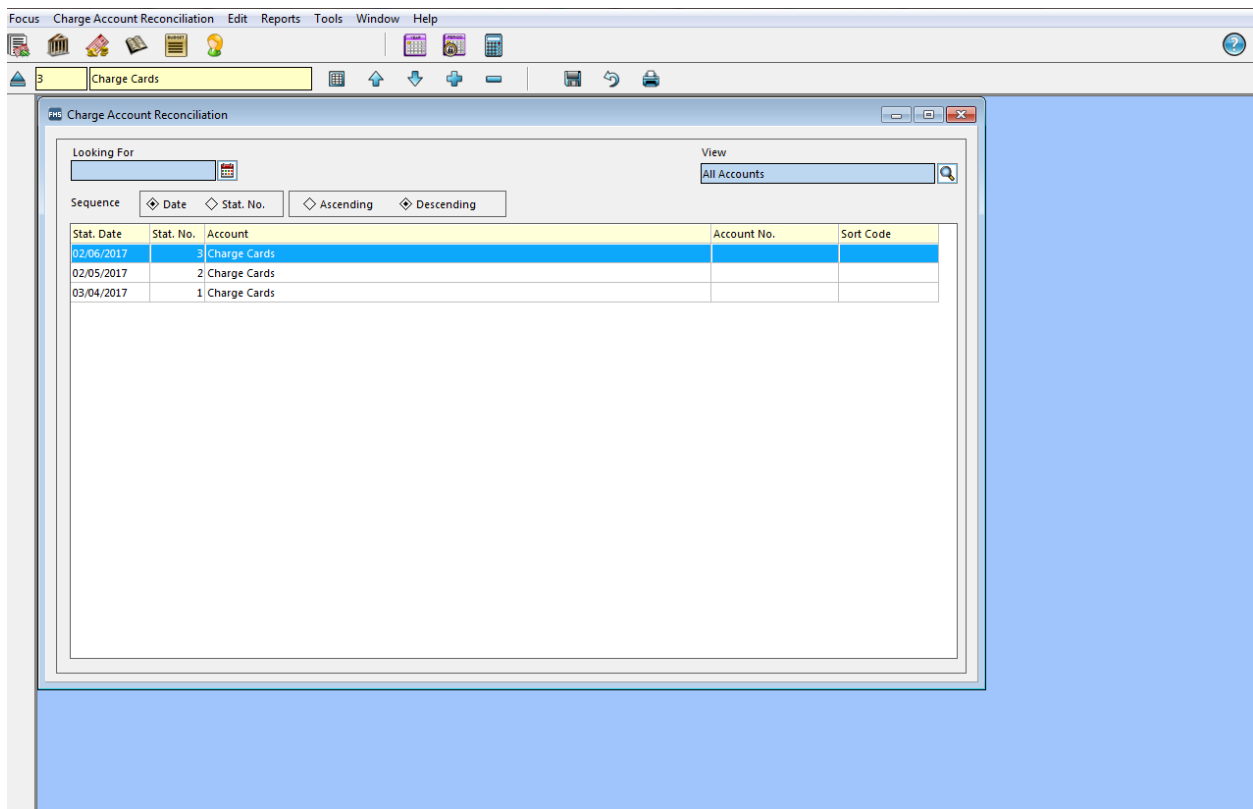
- Complete details in the usual way, Save and Authorise
- Pay invoice by using Direct Payment Processing
- Highlight or double click to view the relevant Invoice, click on Direct Payment Processing


Invoice/Credit Note No.	Invoice Date	Trans ID	Amount	Status	Order Number	Supplier	SRC
1294746	14/06/2017	00007470	9.77	Fully Authorised	Non-Order	I Love Fancy Dress Ltd	FMS ✓
2010618	18/06/2017	00007476	6.25	Fully Authorised	Non-Order	Tesco PLC	FMS ✓
20170606	06/06/2017	00007433	5.79	Fully Authorised	Non-Order	Tesco PLC	FMS ✓
20170607	07/06/2017	00007516	9.37	Fully Authorised	Non-Order	Tesco PLC	FMS ✓
2017821	11/05/2017	00007483	11.99	Fully Authorised	Non-Order	Amazon EU Sari	FMS ✓
458271020	07/06/2017	00007445	35.90	Fully Authorised	Non-Order	Tesco PLC	FMS ✓
458271746	12/06/2017	00007461	64.83	Fully Authorised	Non-Order	Tesco PLC	FMS ✓
458273692	19/06/2017	00007459	40.07	Fully Authorised	Non-Order	Tesco PLC	FMS ✓
458274137	21/06/2017	00007465	42.41	Fully Authorised	Non-Order	Tesco PLC	FMS ✓
A3385206796	18/06/2017	00007456	15.87	Fully Authorised	Non-Order	Screwfix	FMS ✓
G5427247	12/06/2017	00007474	201.13	Fully Authorised	Non-Order	Kent County Council	FMS ✓
G5427327	12/06/2017	00007473	2.46	Fully Authorised	Non-Order	Kent County Council	FMS ✓
120170614169232	14/06/2017	00007471	6.99	Fully Authorised	Non-Order	Everbrent GmbH	FMS ✓
OV9730054085	15/05/2017	00007450	2.13	Fully Authorised	Non-Order	Toolstation Ltd	FMS ✓
OV9738201518	02/06/2017	00007437	9.69	Fully Authorised	Non-Order	Toolstation Ltd	FMS ✓

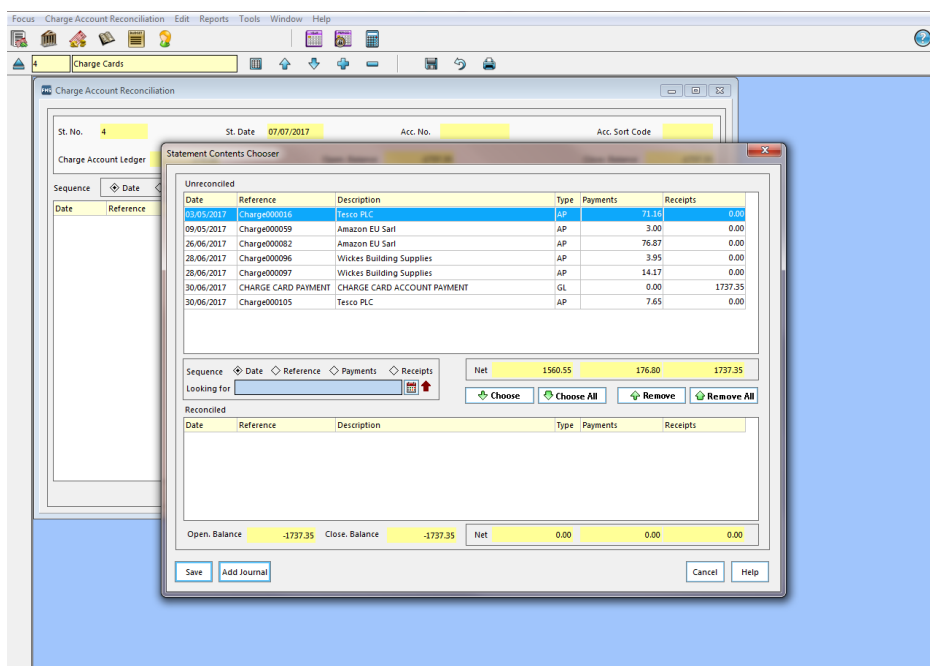
- If the Paid From Card No is blank choose the correct number from the browser
- Click on Pay and select correct card if more than one held.

Once the Bank Statement has arrived or a Bank reconciliation is being completed, items that have been paid using the Charge Card must be reconciled

- Focus > General Ledger > Charge Account Reconciliation
- Click on  to add a Charge Account statement



- Enter the statement number and date details
- Check that the Opening Balance is zero. If there is a balance, check and reconcile the previous statement before proceeding. Click on the down arrow at the top of the screen and click No to Save changes
- Click on the browser 
- Statement Contents Chooser is now displayed





- Individual items can now be chosen to reconcile to the Charge Account statement in the same way as a bank account statement is reconciled
- Select Save
- Click on Add Journal at the bottom
- Select Cashbook Journal, Continue, complete the narrative and select Bank Ledger Code as required

Manual Journal Processing


Year: 2017-18    Period: 3 Jun    Voucher Date: 30/06/2017  
 Supplier:    Posting Date: 30/06/2017  
 Narrative: CHARGE CARD ACCOUNT PAYMENT  
 Bank Ledger Code: LLOYDS Lloyds TSB    Bank Acc.: 03915778    Sort Code: 30-98-91  
 Journal Number: 019025    Reference: CHARGE CARD PAYMENT

JOURNAL LINES    Recurrence Pattern: Add Edit Delete

Ledger	VAT	Fund	Description	C/Centre	Description	Debit	Credit
LLOYDS			Lloyds TSB			0.00	1737.35
CHARGE			Charge Cards			1737.35	0.00

Narrative:

Balance: \*Balanced\*    Total Debits: 1737.35    Total Credits: 1737.35

- Complete save and post the journal
- Select Save to save the reconciled items on the statement
- Check that the closing balance is zero
- Select the Save icon  to save the statement

## Transactions Report

- Details of transactions can obtained as follows
- Reports > Accounts Payable > Payments > Charge Account Transactions Report
- Complete criteria as required

Report Criteria - Charge Account Transactions ×

Selection	Financial Year	<input type="text" value="2016"/>			
	Charge Account	<input type="text"/>			
	Status	<input type="text"/>			
	Processed Date	from <input type="text"/>		to <input type="text"/>	
	<input checked="" type="checkbox"/> Expand all group details				

- Click on browser to select correct card
- Click on Status browser and choose from list

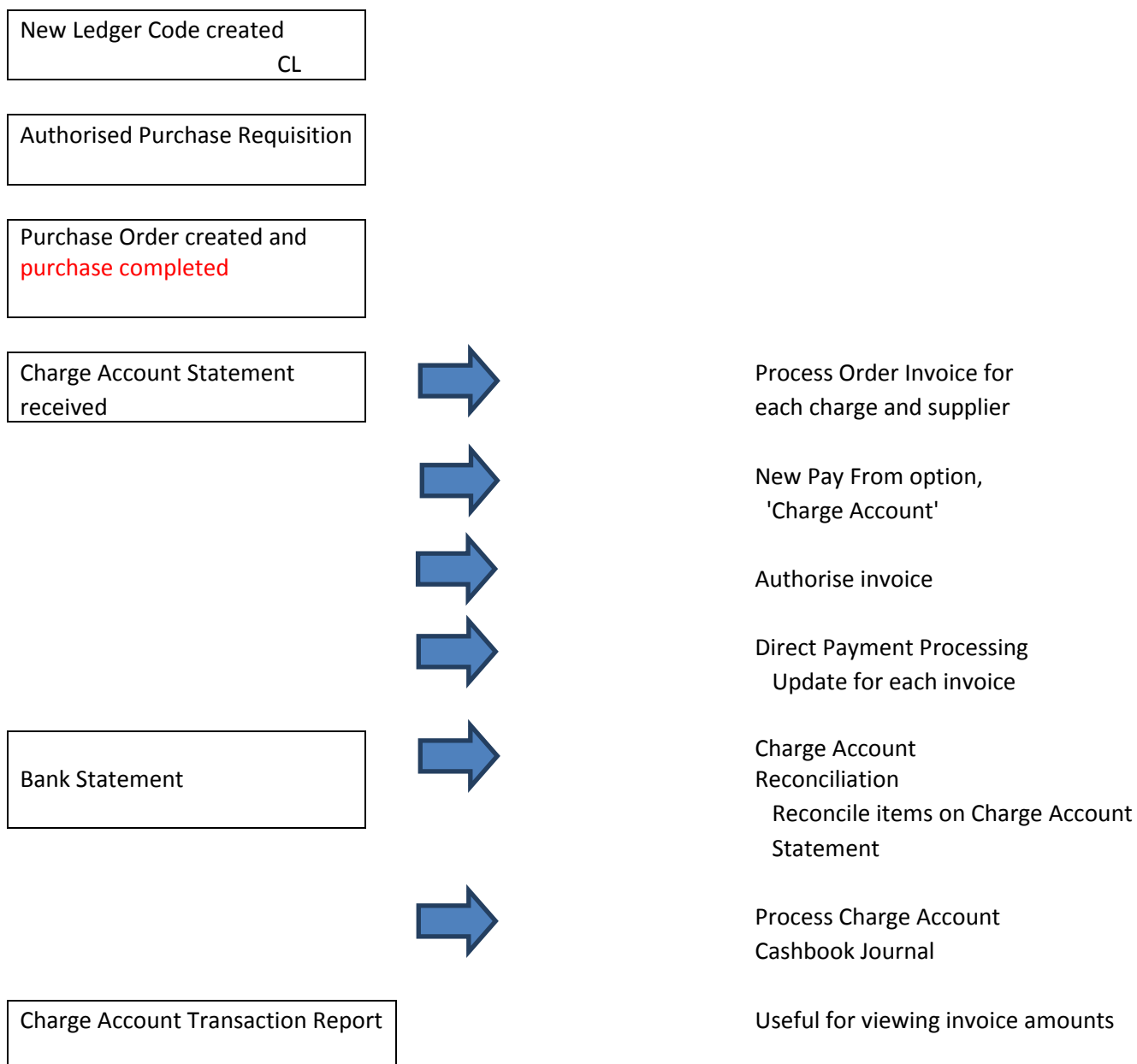
Status Browse ×

Looking for

Description
All
Fully Authorised
On Hold
Paid
Reconciled
Unauthorised

- Group details are selected by default, this can be changed as required
- Click on OK and export to Excel, PDF, Word etc.

## Charge Account Processing in FMS



## Invoice format for income subject to VAT

INVOICE FORMAT FOR  
INCOME SUBJECT TO VAT

## Invoice

APPENDIX 15

Green Abbey School

Monkmoor Road, East Town, Eastshire, SI2 5AP

Tel No: 01234 838080

VAT Registration No: 222-4308-07

+  
Green Abbey PTA  
Monkmoor Road  
East Town  
Eastshire+  
Invoice No: GAS000376  
ID No: 00001328Invoice Date: 22/09/2011  
Tax Point Date: 22/09/2011

Account No/Ref:

+  
Photocopying for summer term 2011

Code	Description	Unit	Price	Qty	Disc %	VAT	Cd	Net Amount	
COPY	Photocopying per 100 copies	x100	5.00	5	0.00	5.00	1	25.00	
								Net Total	25.00
								Vat	5.00
								Invoice Total	30.00

VAT Rates: 5: 17.50%; 6: 0.00%; 7: 0.00%; 8: 15.00%; 1: 20.00%

## Remittance Advice

Debtor Name: Green Abbey PTA  
Account No/Ref:Date: 22/09/2011  
Invoice No: GAS000376  
Due by: 22/10/2011

Cheques Payable to: Green Abbey School

Please send this slip with your payment to:

Green Abbey School  
Monkmoor Road  
East Town  
Eastshire

SI2 5AP

For Office Use Only.

Amount Paid: 30.00



HILLINGDON  
LONDON

# LONDON BOROUGH OF HILLINGDON

## **Bacs**

### Using ONLINE BANKING

### **REGULATIONS AND USER GUIDANCE**

Schools Finance Team *December 2019*

**Bacs - ONLINE BANKING**  
**REGULATIONS AND USER GUIDANCE**

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## **1. INTRODUCTION**

The introduction of Bankers Automated Clearing Services (Bacs) payments is aimed at improving the efficiency of payments to suppliers. The use of Bacs will avoid the risk of cheque frauds and reduce administration time spent generating and posting cheques. In addition FMS6 will be able to email remittance advices to payees.

Cheques are expected to be phased out in the future; therefore it is important that adequate alternatives are in place. However, schools need to ensure that Bacs payments to suppliers are made with consideration to the usual controls which are in place for cheque payments.

The procedures below apply to all Bacs payments, with the exception of those paid via payroll. There are different methods by which Bacs can be paid so differing processes will apply according to the method used. Currently the methods identified as suitable for use by schools are via online banking or directly to Bacs with a school using their own BACSTEL IP software.

The following information identifies the rules and regulations that schools must adhere to if they choose to adopt the Bacs system using Online Banking including Lloydslink Online Banking (LOLI) and Lloyds Commercial.

## **2. GOVERNING BODY APPROVALS REQUIRED**

The Governing Body must agree the use of a Bacs system within their school. Details can be agreed by the Finance Committee and then be ratified by the full GB. This should be minuted together with the Governing Body's approval of the following before the application process begins:

### Key Personnel

- Who acts as the school's **Approvers**
- Who acts as the school's **Payment Processor**
- Who acts as the school's **Supplier Data Inputter**
- **Transaction limits**
  - **Set transaction limit sufficient to cover salaries.**

**Please note: This limit will need to be agreed with the bank. Additional Bacs runs cannot coincide with the 3 day processing period for salaries in order to prevent exceeding the set limit.**

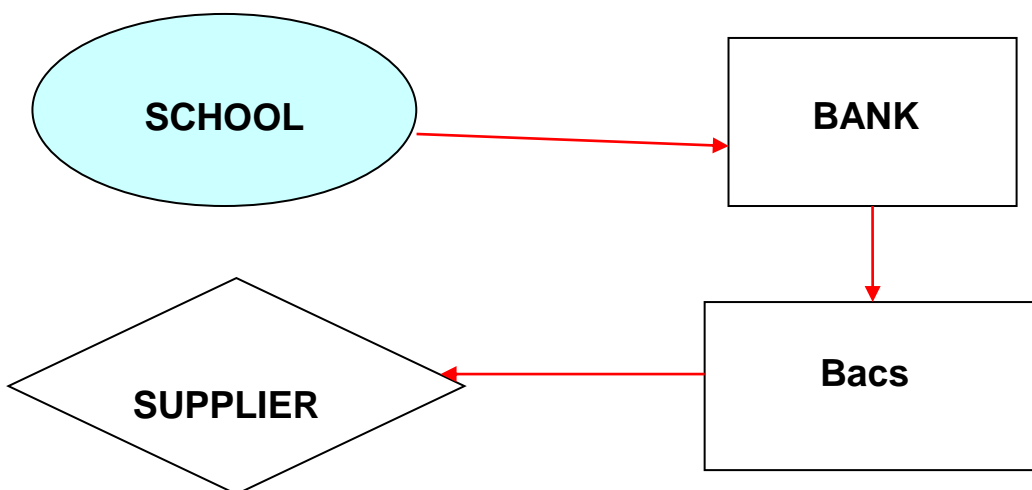
The **School Financial Management Policy** and **Scheme of Financial Delegation** must be reviewed to include the Bacs controls and procedures.

**SEPARATION OF DUTIES** – Payment Processors cannot be Approvers and it is recommended that they do not act as the Supplier Data Inputter. For **small schools a separate process is permissible, see Annex 15**. Arrangements should be in place to ensure the payment function can continue during staff absences.

## **OVERVIEW**

Invoices are processed as usual and a Bacs run can be generated by the school's accounting system (FMS in most Hillingdon schools). Following this there are two levels of authorisation required. In this way schools can ensure there is separation of duties to replace the two signatories currently required on cheques issued by schools.

Once authorised the route of the payments is as follows:



## **BACS ONLINE BANKING PROCESSES**

The school should approach the bank they wish to use and complete necessary applications once Governor approval have been agreed and minuted.

### **SMART CARDS, READERS and PASSWORDS**

Banks may issue smart cards and/or readers to each individual Approver and Submitter (the Payment Processor is the online payment Submitter). They will be given some of the following depending on which bank system is used: username, password, customer ID, pin numbers and activation codes.

Care should be taken not to divulge personal pin numbers, activation codes or passwords to ensure the security of the Bacs transmission. Where possible passwords should consist of a mix of numbers and letters and should be changed regularly.



## **ROLE OF THE SUPPLIER DATA INPUTTER**

The Supplier Data Inputter would normally be a member of the schools administrative or finance staff.

The Supplier Data Inputter is responsible for inputting supplier's banking details on FMS6 which include:

- Supplier's bank name
- Supplier's bank sort code
- Supplier's Account Number
- Supplier's email address

Suppliers' names and addresses can be exported from FMS for cutting and pasting onto letters requesting this information and the method is shown on **Annex 8**. If this proves problematic an alternative option is collecting data from paid invoices which generally will detail the bank information required.

Any changes to this information should also be made by the Supplier Data Inputter. The source documents from supplier should be used for checking and initialled by a second member of staff. Checking is required because if the wrong information is entered and payment is made to the wrong account, the school is liable for any resulting losses. The source documents should be kept on file in a locked cupboard and the information should be treated as confidential. **They effectively becomes the bank mandate for paying the supplier.** It is recommended that ad hoc checks are made on the supplier information regularly using a FMS audit trail report of supplier data changes. Details on how to produce this report can be found in **Annex 13**.

Instructions on how to set up access for the Supplier Data Inputter on FMS6 can be found on **Annex 6**.

When a Bacs run is processed on FMS the report produced will display which FMS6 user last changed the bank details for each supplier on the run.

## **ROLE OF THE PAYMENT PROCESSOR**

Payment Processors would normally be the school's finance staff. Payment Processors process invoices on the schools accounting system, prepare Bacs runs ready for approval and are responsible for submitting Bacs files online.

The Bacs Payment Processor should:

- Carry out usual checks and procedures on invoices
- For payments to individuals follow employment status checks
- Ensure normal controls are applied to Staff reimbursements which can be paid by Bacs
- Enter invoice details onto school's accounting system

- Ensure that enough funds remain in the bank to cover other payments including direct debits due to be paid between the date of the Bacs run and the actual Bacs payment date
- Prepare Bacs run (see **Annex 9**).
- Import the Bacs run onto the online banking system and set a payment date which allows sufficient time for Approvers to approve the payments. If any Approver misses this date the run will have to be cancelled and reimported
- Place both the FMS and bank Bacs run reports together with all invoices and supporting documentation in a folder ready for approvals. Invoices should follow the order of the Bacs run report to enable easy cross referencing and checking by the Approvers
- Ensure paperwork, including FMS and bank reports, is passed to Approvers allowing enough time to meet Bacs processing date
- Cancel Bacs runs for that are rejected by Approvers and reprocess as necessary

## AFTER APPROVALS

The Payment Processor is the “Submitter” on the online banking system

- On receipt of authorised paperwork submit Bacs payment using online banking
- Email or print remittance advices for suppliers
- Reconcile bank statements to Bacs payment runs
- Once reconciled with bank statement, delete Bacs files from archive folder.

## **ROLE OF THE APPROVERS**

Approvers would normally be the cheque signatories and would be issued with a smart card each for the Online Banking system. The number of Approvers required should be the same as the number of cheque signatories required by the school.

Approvers should:

- Check the documentation and authorise the certification stamp on each individual invoice.
- The online bank report must be kept confidential it contains bank details of suppliers

- Check on the FMS Bacs run report that all suppliers' bank account details were last changed by the Supplier Data Inputter, whose FMS identification initials will show on the report
- Check that there are sufficient funds in the account for the payment to be made by checking remaining balance is positive and sufficient to cover the Bacs run payment
- Cross check suppliers and amounts to be paid on invoices against the FMS and online bank reports and confirm that each individual payment should be made (i.e. by ticking reports)
- Once checked, the reports should be signed and dated to show authorisation
- If any changes are required, then the reports and attached documentation should be returned to the Payment Processor for reprocessing
- If all is in order then Approvers use their smart card to approve the Bacs run on the online banking system
- More than one file should not be available for approval.

## **CONTROLS**

### **ONLINE BANKING**

- Employees may only log onto online banking systems from the school and not from remote locations
- Only payments which have been generated through FMS can be made on the online banking system
- An authorised signatory must compare and sign the FMS payment schedule with the online system payment schedule
- Online system users must not share user names, customer IDs, passwords and PIN numbers – this control is vital to ensure that no individual can both make a payment and approve it in the online system. This ensures separation of duties and the essential system controls which safeguard the funds in the school bank account
- Any member of staff who resigns should have their online banking access removed immediately
- All transactions in the online banking system can be traced back to the individual who made them. Schools must emphasise traceability of all transactions to individuals with online banking access

- Regular bank reconciliations should be carried out to ensure the correct Bacs payments have cleared through the bank. Schools have access to online banking which enables the balance to be checked soon after transactions have taken place.
- Lost cards should be reported to the Finance Manager/Bursar and bank immediately and the loss recorded on a lost card report form (see **Annex 12**).

### SCHOOL COMPUTER NETWORK

- The folder holding Bacs files ready for uploading should have access restricted to the Payment Processor only.
- Periodic checks should be made on any changes made to supplier details on FMS. This is to ensure that only the Supplier Data Inputter is making these changes. See **Annex 13** for details on how to generate this report
- All FMS users should be made aware that an audit trail of changes is maintained by the FMS system.

### RECORD KEEPING

The supplier information source documents should be retained and treated as confidential as should the online bank reports. Authorised Bacs run reports and all invoice documentation should be retained and filed.

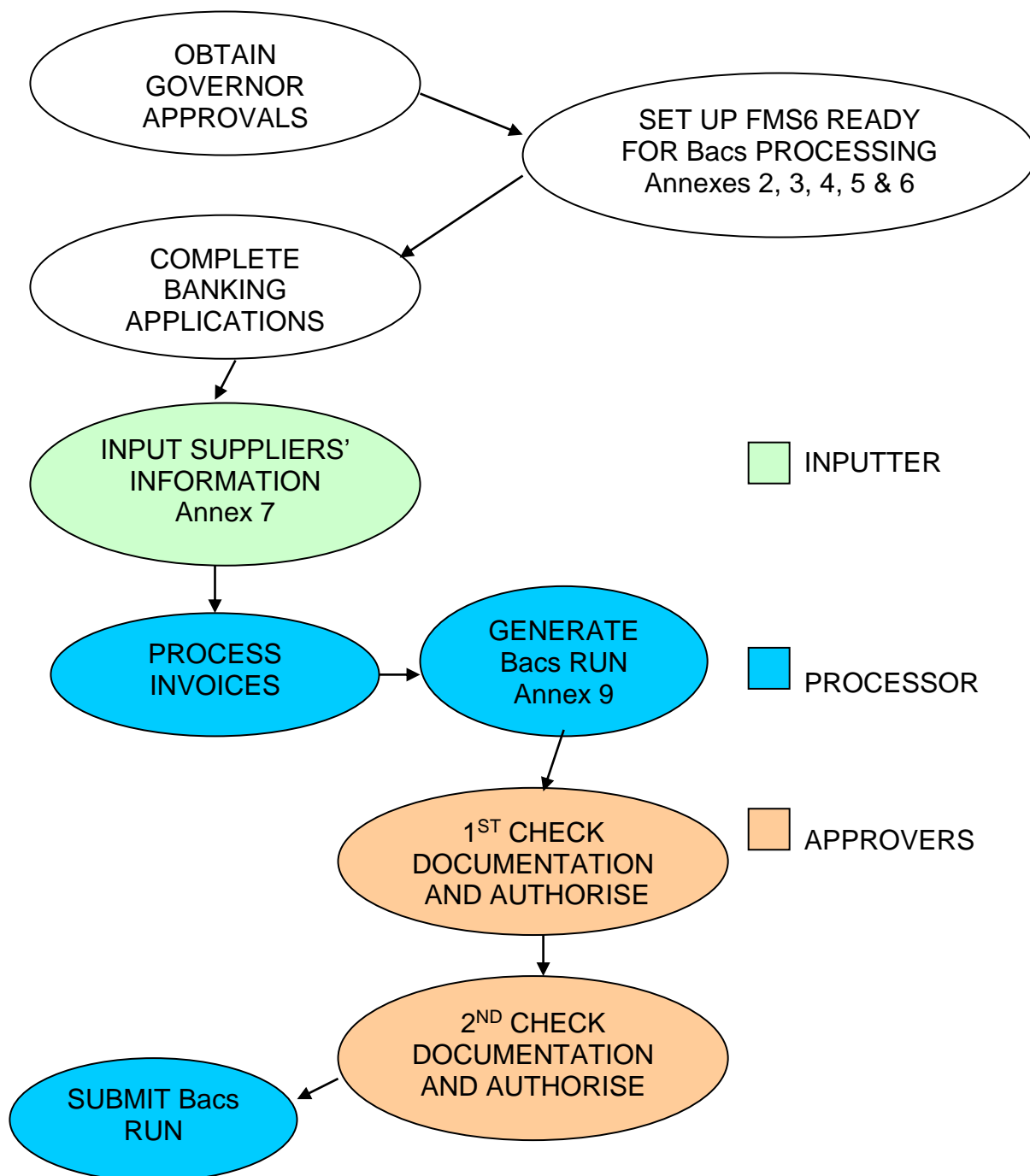
### Invoice Fraud

Extra care should be taken where requests are received to change bank details for regular suppliers. Schools should have a system in place to confirm ANY changes requested back to the supplier by a known and different communication channel to check the request is genuine so that fraud is prevented. The steps taken should be documented on the change request. Vigilance is key and periodic testing of procedures is best practice.

### SELF-EVALUATION

- An order is raised (where possible) prior to payment of the invoice
- There is an adequate separation of duties
- System access to Bacs files is restricted to the Payment Processor
- The set up details (sort code / account number / supplier name) agree to the documentation provided by the supplier and ad hoc checks are carried out
- There is evidence of checking the bank balance and signed authorisation of the payment by the Approvers before the Bacs file is submitted.

**SCHOOL FLOWCHART**



## SETTING UP THE BANK ACCOUNT ON FMS FOR BACS

The following information is intended to give a guide to the processes involved in setting up the BACS system for the first time.

### SETTING UP THE BANK ACCOUNT

- Tools
- General Ledger Set Up
- Tab 5 Ledger codes
- Highlight bank ledger code from which Bacs payments are to be made
- Click on edit button

The Account Code defaults to zero. Only a small number banks use this code field

The screenshot shows the 'Ledger Code Definition' window with the following fields and values:

- Ledger Type: Bank Account
- Code: BK01
- Description: Bank Account
- Ledger Group: Bank & Petty Cash
- Account Name: Bank Account
- Sort Code: 40-32-16
- Account Number: 01177112
- Account Code: 0
- BACS User Number: 999999
- BACS Bureau Number: (blank)
- BACS File Extension: (blank)
- BACS File Type: BACS2

The 'Debit Card Details' table is empty with columns: Card Number, Card Holder, Expiry Date, Active.

For online banking the Bacs File Bacs user number needs to be a dummy number e.g. 999999

The Bacs bureau number Extension is needed for banks that require Bacs files in a format other than the default format. For Lloyds Commercial Banking, tick user defined and enter CSV. For any user still using LOLI this can be left blank

needs to be left blank for online banking

Bacs File Type depends on the format required by the school's bank. For Lloyds BACS2 should be selected

## CREATING BACS FILE FOLDERS ON COMPUTER SYSTEM

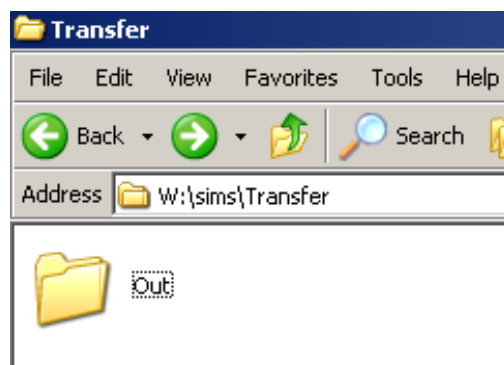
The Bacs run file needs to go to a folder on the computer so it can be selected for upload to the online bank system.

### CREATION OF BACS FOLDER:

Go to “My computer” and follow the route:

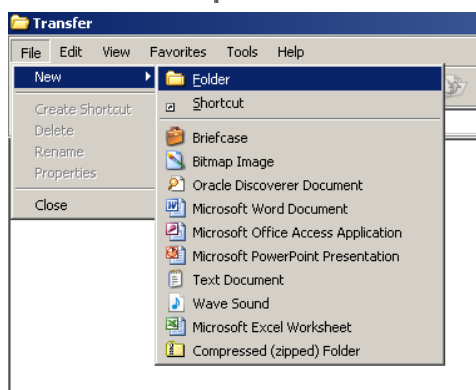
- Simsroot / SIMS / Transfer / Out

(Please note that the drive in which Simsroot can be found can vary at different schools).

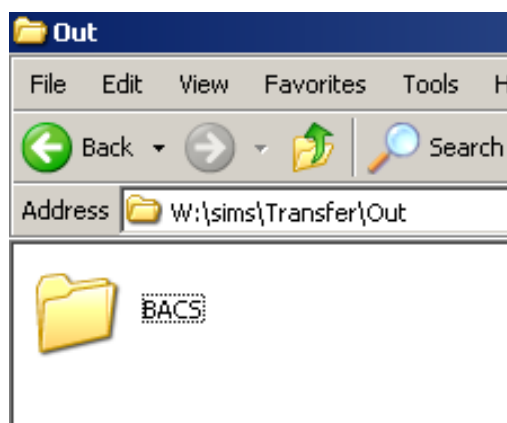


Click into the Out Folder then select

- File
- New
- Folder



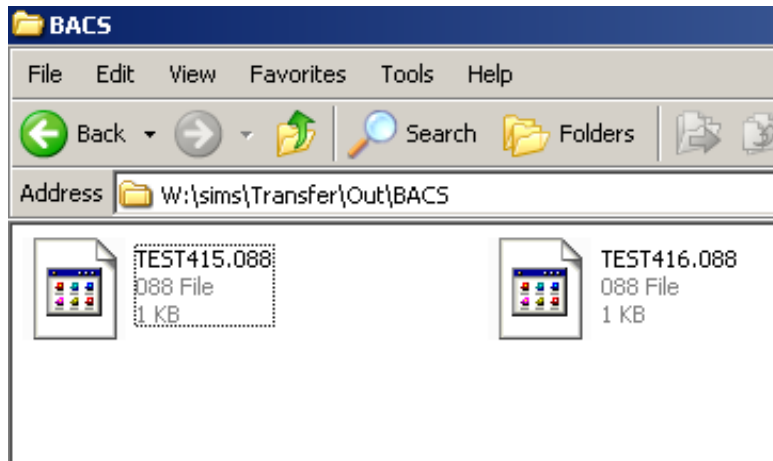
- Right click on new file
- Select rename
- Overtyping New Folder
- With Bacs



There is a risk that this Bacs file could be uploaded more than once and payments duplicated so it is important to create a sent folder for archiving used Bacs runs.

Once a Bacs file has been uploaded to the bank by the Payment Processor, the file needs to be put into a sent or archive folder (see next page).

## CREATING A SENT BACS ARCHIVE FOLDER

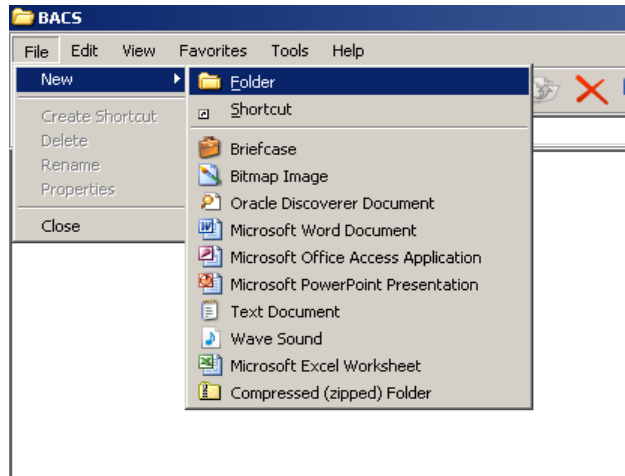


Go to “My computer” and follow the route: as shown on the out directory box on

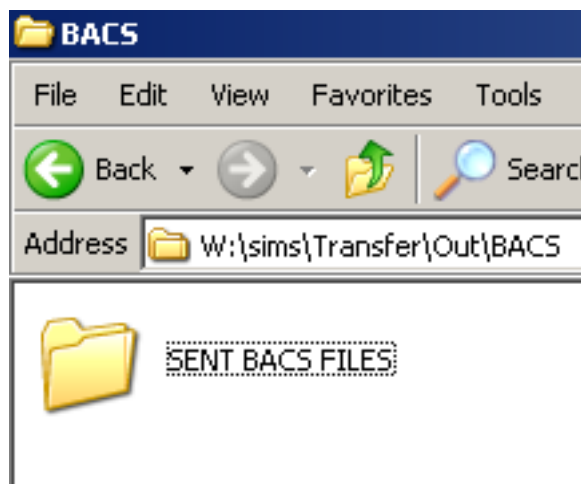
- Simsroot / SIMS / Transfer / Out / BACS

Then select

- *File*
- *New*
- *Folder*



- Right click on new file
- Select rename
- Overtyping New Folder
- With SENT BACS FILES



**The access to these files should be restricted to the Payment Processor please contact your IT support to arrange this.**



## SETTING UP PARAMETERS FOR BACS PROCESSING ON FMS

- Tools
- Accounts Payable Parameters
- Tab 4 Cheque Layout / BACS parameters

For online banking a dummy Bacs ID code should be entered i.e. BAC,123 or ABC

Days Kept does not affect the online banking process

Mask Bank Account and Audit boxes should be ticked

Please check with your IT support to check the "Out Directory" which should be on a secure area of the network. This is where the Bacs file is sent ready for uploading to the bank's online system.

By ticking the Mask Bank Account box any bank details would be hidden on print outs (i.e. in a similar way to debit/credit receipts where stars are displayed instead of card details).

## SETTING UP FMS FOR E-MAILING REMITTANCE ADVICES

This needs to be set up prior to filling in supplier details if you wish remittance advice to be sent directly to suppliers. The remittance advices are sent in PDF format.

- Tools
- Establishment Details
- Tab 5 Email Set Up
- Edit BACs eadvices

Consult with your IT support to enter mail server, port number, username and password.

It is advised that a "do not reply" email is set up

The message will be received by the supplier.

The screenshot shows the 'Maintain Servers' dialog box with the following fields and values:

- Server Purpose: BACS eAdvices
- Mail Server: (empty)
- Port Number: 25
- Use STARTTLS Encryption:
- Requires Authentication:
- Username: (empty)
- Password: (empty)
- EMAIL SETUP:
  - Return email Address: Donotreply@lgflmail.org.uk
  - Subject Line: Bacs|Payment from Green Abbey School
  - Message (Body): You should shortly receive payment from Green Abbey School via Bacs payment to your bank account. The attached remittance advice provides the details of the payment(s) being made.
  - Keep Remittance Files:

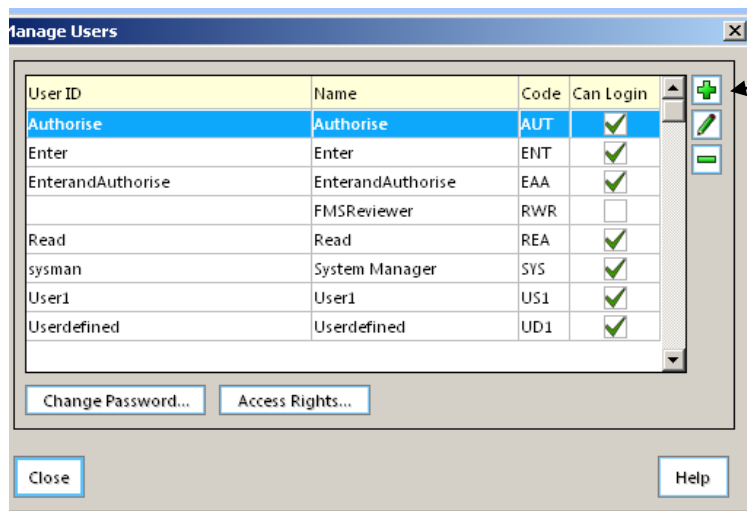
Buttons at the bottom include 'Test Mail Server Setup', 'Save', 'Cancel', and 'Help'.

To keep a copy of the PDF generated file tick this box. When selected every PDF file is saved in a Remittance folder in the Out Directory which was set up in Annex 4.

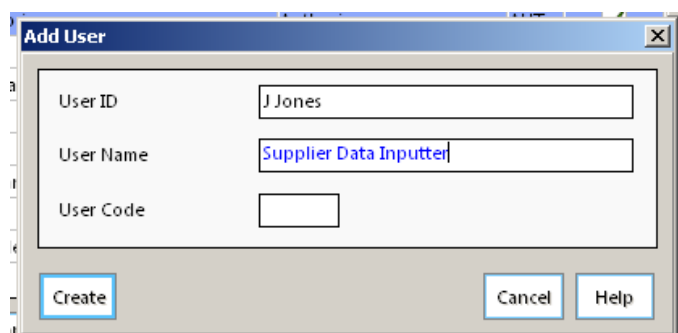
**DEFINING ACCESS RIGHTS FOR SUPPLIER DATA INPUTTER**

Access rights can only be defined by the system manager for your school on FMS

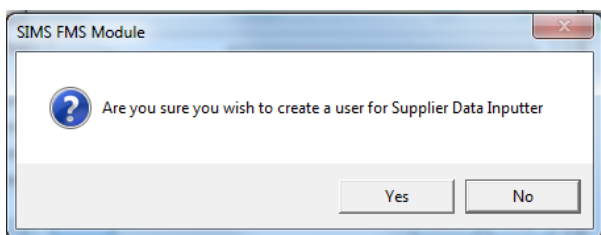
- Tools
- Manager Users



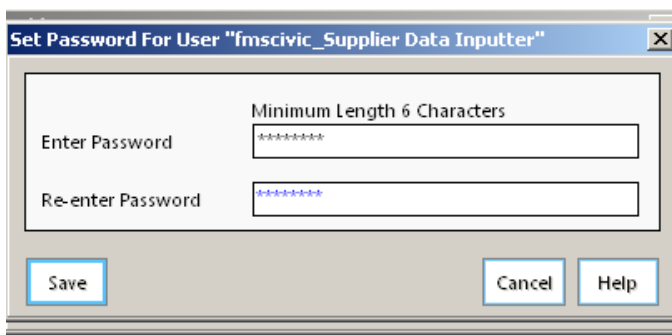
Click on plus button



- Enter details for supplier inputter
- Create

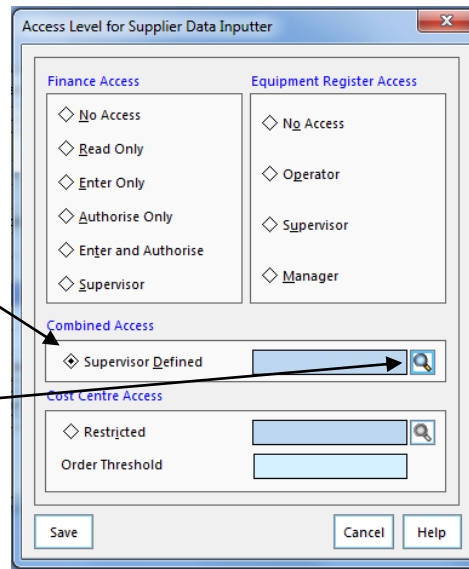


- Yes

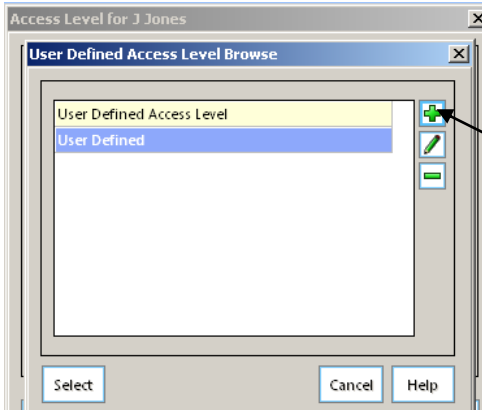


- Enter password
- Save

Choose Supervisor Defined Button

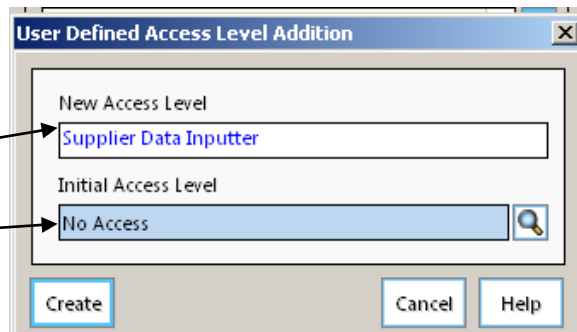


Select magnifying glass



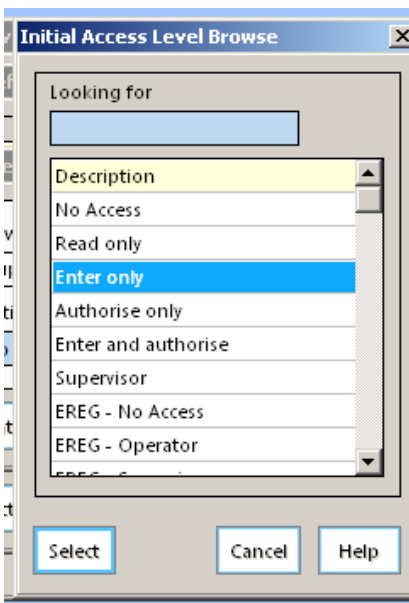
Select plus button

Input Access Level Description "Supplier Inputter"

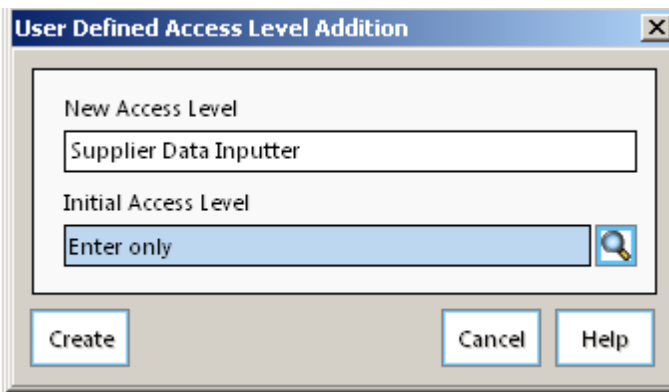


Data

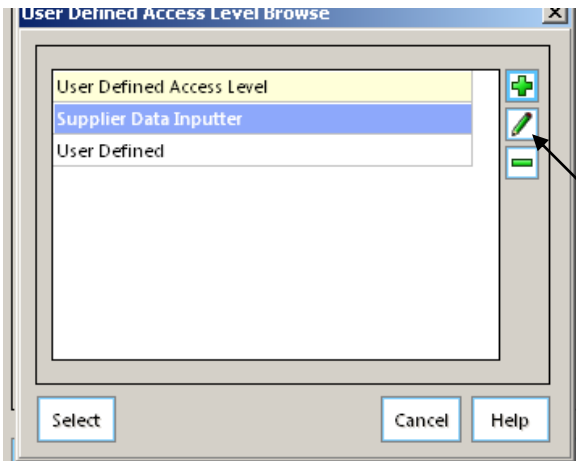
Click on magnifying glass



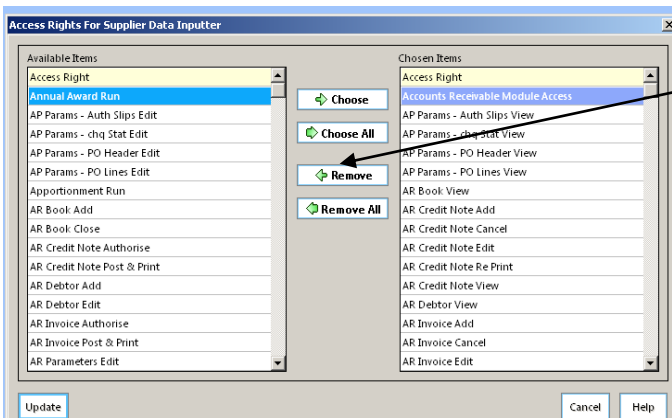
- Highlight Enter only
- Select



○ Create

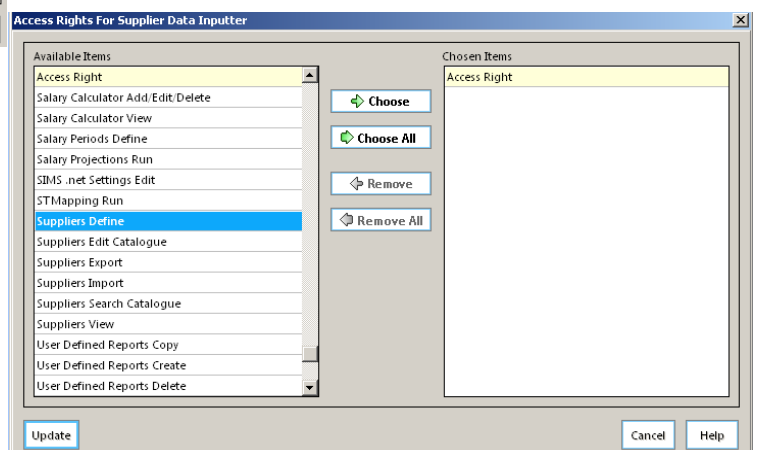


Select Edit pencil



Remove all existing access rights showing

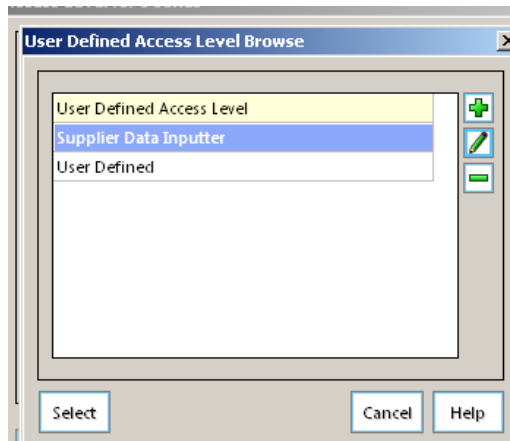
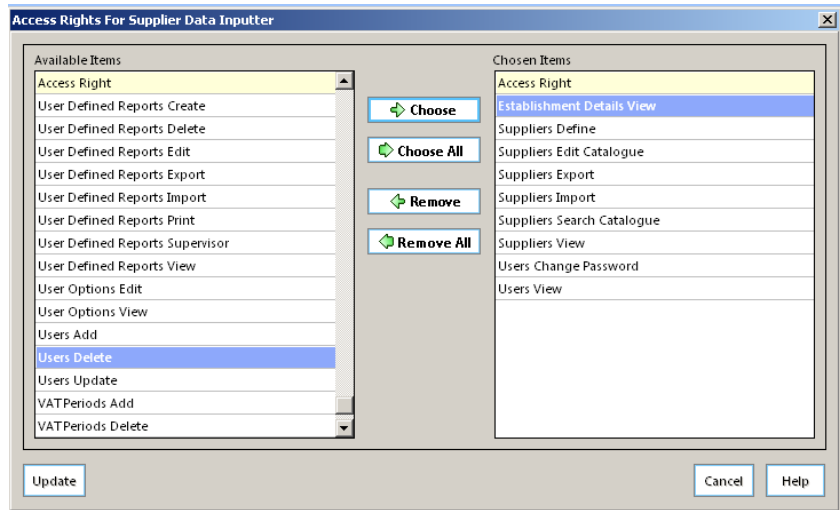
Scroll down to Establishment Details View



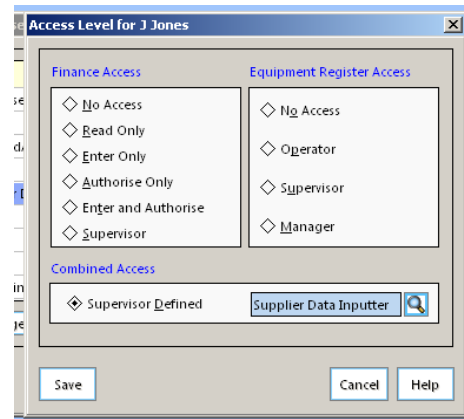
Choose the following access rights:

- Establishment Details View
- Suppliers Define
- Suppliers Edit Catalogue
- Suppliers Export
- Suppliers Import
- Suppliers Search Catalogue
- Suppliers View
- Users Change Password
- Users View

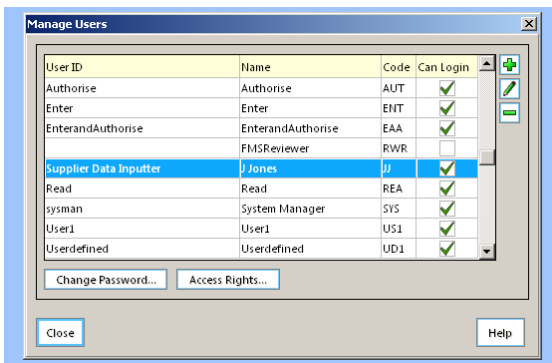
• Update



○ Select



○ Save



○ Close

## SETTING UP A SUPPLIER FOR BACS ON FMS

A supplier will need to be registered as a BACS Payable Supplier on FMS

Select:

- *Focus*
- *Accounts Payable*
- *Suppliers Details*
- *Tab 2 Additional*

Enter supplier's bank details:

- 1) Account No
- 2) Account Code – this defaults to zero. Should this be required, then the single digit code should be issued by the supplier
- 3) Account Name - this defaults to the supplier's name in Tab 1 and may be edited.
- 4) Sort code
- 5) Bank Name
- 6) Branch Address, if known
- 7) Payment reference number (this is to identify your school's payment to the supplier, it may be called a customer account number, reference or ID etc)

Please note that Payee Details are ignored with Bacs processing so make sure Payee in use is not ticked. If a payee is to be used please ensure it is their bank details that are entered.

**FMS Supplier Details**

1: Basic    2: Additional    3: Catalogue    4: Review    5: eProcurement

**BANK DETAILS**

Account No.

Account Code

Account Name

Sort Code

Bank Name

Branch

Payment Reference No

BACS Payable Supplier

e-mail PDF Remittance Advice

e-mail Address

**PAYEE DETAILS**

Payee in Use

Payment to

Address

Telephone

Fax

Contact

Construction Industry

CIT Reference

Expiry Date

To enable Bacs payments to be made to this supplier tick the “BACS Payable Supplier” box.

To enable remittance advice to be sent to supplier tick “e-mail PDF Remittance Advice” and enter email address given by the supplier of their department that deals with income.

BACS Payable Supplier  
 e-mail PDF Remittance Advice  
 e-mail Address

## CHEQUE PAYMENTS TO BACS ENABLED SUPPLIERS

There may be instances where schools will still wish to send a cheque to a supplier instead of processing a Bacs run.

This is possible, but for the supplier’s invoice to appear in cheque processing, the “Show BACS enabled Supplier Transactions” button must be ticked on the tagging screen as shown below.

The screenshot shows the 'FMS Cheque Processing' window. In the background, a table lists transactions:

Run Date	Run Number	Narrative	Cross Year
20/01/2012	000351		
20/01/2012	000350		
13/12/2011	000349	GPC Dec 2011	
13/12/2011	000348	GPC Card Dec	
13/12/2011	000347		
01/12/2011	000346		

The foreground 'Cheque Processing' dialog box shows the following details:

- Bank Balance: Current 849,648.25, Tagged Items 0.00, New 0.00
- Sequence: Supplier, ID, Supplier, Invoice/Credit Note No., Pay By Date
- Show BACS enabled Supplier Transactions

Supplier Name	Supplier ID	Invoice / Credit Note	Pay By	Auth	Amount
1st Glass	00000045	1G004009	07/09/2011	AUT	1,329.46
Aqua-Pools Ltd	00000041	APL6358	09/09/2011	AUT	62.41
Beckford Council	00000014	005810	07/09/2011	EAA	180.00
Beckfordshire Newspapers	00000011	BN800978	03/09/2011	US1	273.60
BEDS Electrical Distribution	00000013	Beds1017	09/09/2011	EAA	1,080.00
Browns Travel	00000031	123a	19/07/2012	US1	1,000.00
Browns Travel	00000031	123	A.S.A.P	US1	-156.00

At the bottom of the dialog box, the 'Period' is set to 1 and the 'Order' is BANK005019. Buttons for 'Tag', 'Un-Tag All', '<< Back', 'Next >>', 'Cancel', and 'Help' are visible.



**HOW TO EXPORT SUPPLIER NAMES AND ADDRESSES FROM FMS**

If you wish to send a blanket letter to all suppliers to obtain their details for Bacs payments, names and addresses can be extracted from FMS.

- Go to Reports | Accounts Payable | Supplier Analysis | Supplier Information
- Choose '**Detailed Report**' and click on 'OK'
- Click on **Export to Disk** on right hand side of screen at the top
- Under Export Options, choose 'Full Report' and under 'Format' choose **Comma Separated Values format (CSV)**
- Click on 'OK'
- Save file as '**Supplier information**'
- Open Excel.
- Click on **Data** tab
- Then choose '**from text**' and import 'Supplier information.csv file by double clicking on the file
- Choose 'delimited'
- Click on 'Next'
- Choose 'Comma'
- Click on 'Next'
- Click on 'Finish' and click on 'OK' to import data
- On spread sheet the first line of the address shows in column A. The supplier name will be much further along (say column R) and so will the postcode and contact. You may want to cut and paste these into the appropriate columns or leave where they are. You may at this point, also delete all unwanted columns as all fields associated with a supplier will be exported from FMS.

## SUGGESTED WORDING FOR INFORMATION REQUEST TO SUPPLIER:

To whom it may concern

### ..... **School Supplier details request**

We are planning to make all future payments by Bacs, so could you please forward your bank account details to our finance department on company headed paper to (*the member of school staff who is inputting supplier bank info*) and include the following details:

- Your company or trading name / account name
- Name and branch of your bank
- Bank account sort code
- Bank account number
- Account Code (only if required for Bacs payments)
- The reference number your company uses for this school's account
- An e-mail address for remittance advices

If you have any queries regarding the above, please do not hesitate to contact our finance department on (*phone number*).

We would like to take this opportunity to thank you for your continued support, which is very much appreciated and valued.

Yours faithfully

## PROCESSING A BACS RUN

### PROCESS INVOICES

Invoices should be processed and the usual checks and procedures should be carried out:

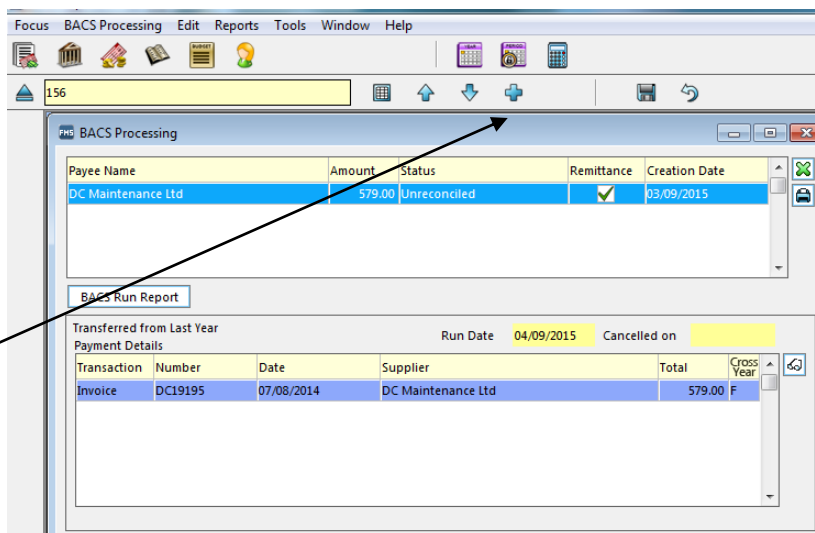
- Use invoice certification stamp on each invoice
  - Confirm invoice matches the order and record receipt of goods or services
  - Ensure that the invoice has not been previously paid
  - Ensure that prices and arithmetic are correct and accord with quotations, tenders, contracts, or catalogue prices
  - Ensure correct accounting treatment of tax
  - Ensure that the invoice is correctly coded
  - Ensure that discounts have been taken where available
  - Ensure that appropriate entries are made in the accounting records
- For payments to individuals follow employment status checks.
  - Staff reimbursements can be paid by Bacs and are subject to normal controls.
  - Enter invoice details onto FMS or school's accounting system by referencing the order and noting payment against the ordered items, or inputting details of the invoice where there is no order.
  - Authorise the invoice on screen for payment.

### CREATE BACS FILE

A Bacs file is created as follows:

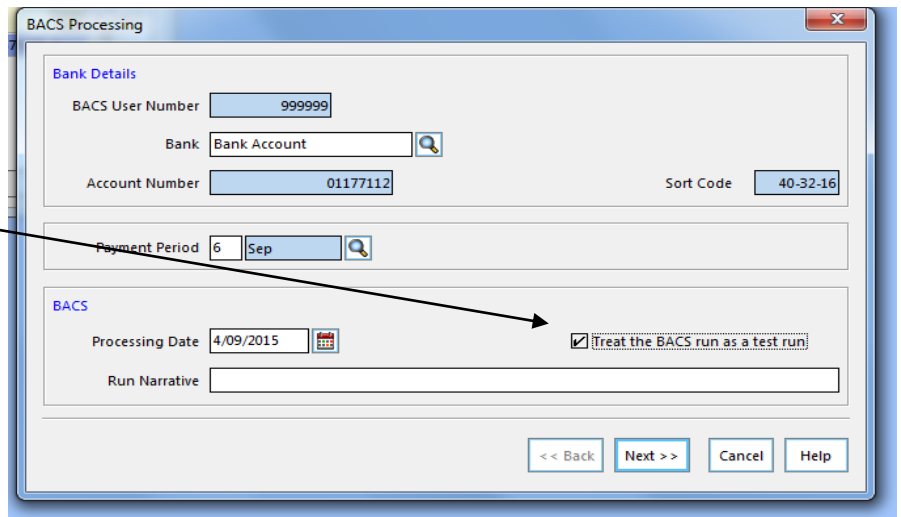
Select

- *Focus*
- *Accounts Payable*
- *BACS Processing*
- *Plus button*



TEST RUNS – It is recommended that at least one test run is carried out prior to the first payment being made. This is done by ticking the “Treat the BACS run as a test run” button”.

FIRST LIVE RUN - It is also recommended that the first “live” Bacs payment should be made to a supplier with whom there are good contacts. Select a supplier who will be able to feed back that the correct payment and remittance advice have been received. It is also recommended that for this first run, large amounts are not processed.



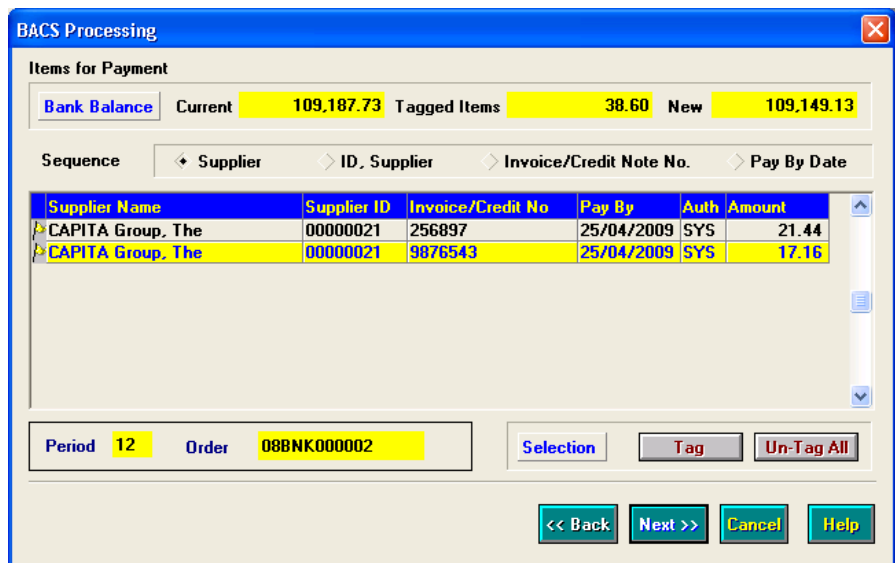
Bank details are generated automatically (unless you have more than one Bacs defined bank account for which you will have to choose the correct bank)

- Choose payment period
- Select processing date allowing sufficient time for approvals. This should be a date that will not place undue time pressure on Approvers and should be a bank working day (i.e. not a weekend or Bank Holiday). It should not be set for more than 31 days in advance. **However, the exact date of the run is governed by dates entered on your online banking system not the date entered on FMS if the FMS date is missed it will not prevent payment.**

- Enter narrative as Bacs run and date

- Next

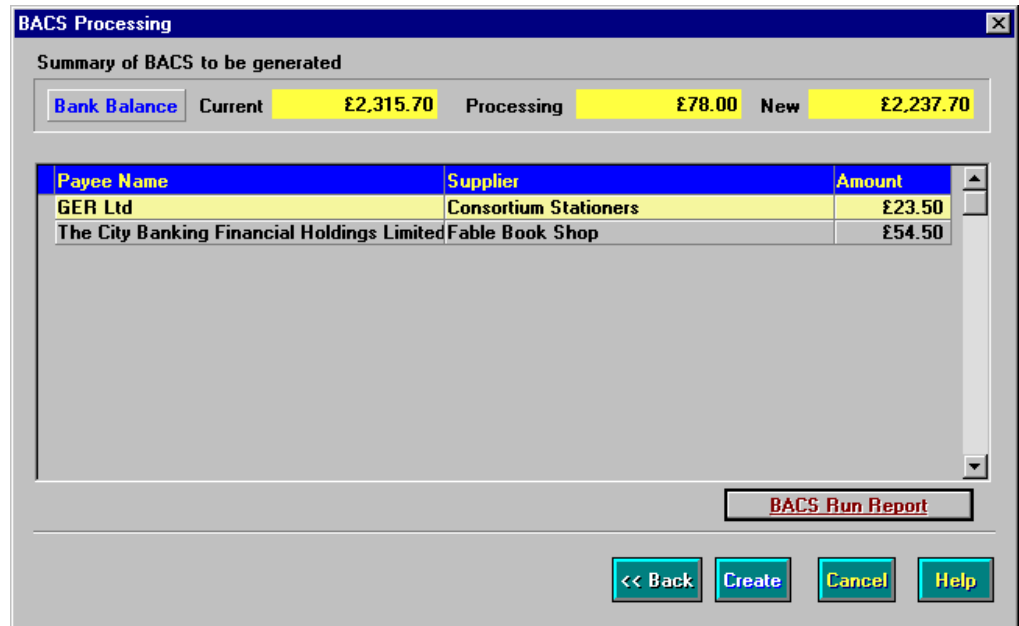
The next screen will show the available invoices for payment. Tag those which are to be paid.



- Select Next

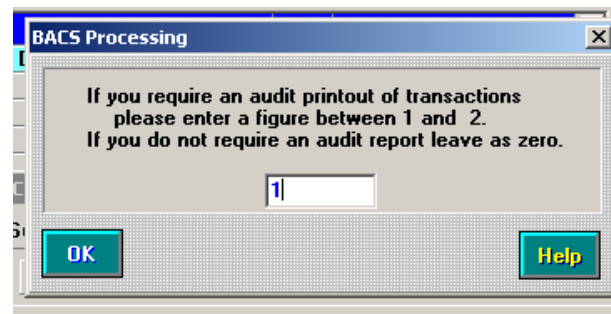
The summary of Bacs to be generated is then displayed.

- Click on Bacs run report to print report

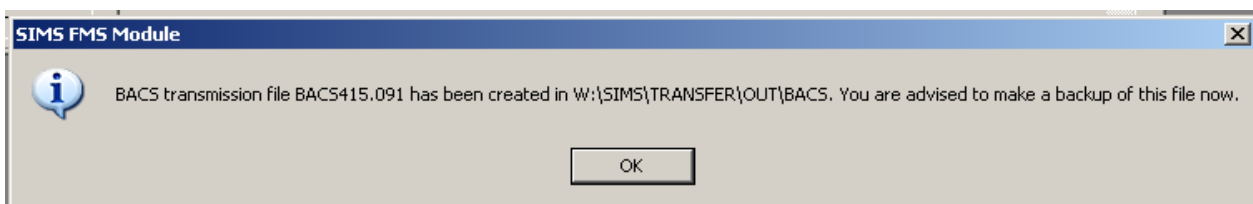


- Note new bank balance on Bacs run report, to show balance has been checked and to provide information for Approvers, alternatively print screen.
- PLEASE NOTE: this balance only shows the current ledger bank balance on the FMS system and does not take into account any direct debits or bank transfers that may affect the bank balance before the Bacs payment is made.
- Select Create, this screen will appear:

Enter the number of Bacs run reports to be printed options are 1 or 2.

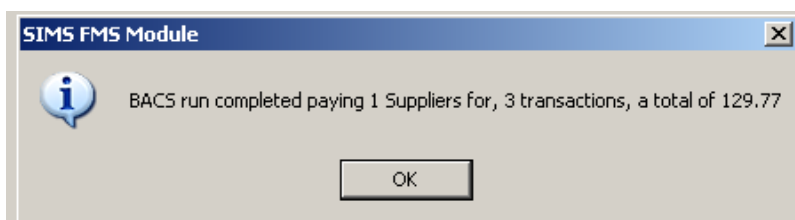


You are advised to create a back up file.

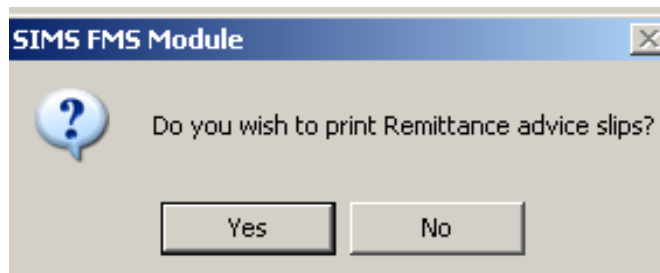


You will then receive confirmation of the Bacs run.

- OK



- Enter **NO** – Do not print at this stage (i.e. before approval has taken place) this instruction on FMS will email remittance advices to suppliers and this should be done at a later stage.



- Place the Bacs run report together with all invoices and supporting documentation in a folder ready for approvals. Invoices should follow the order of the Bacs run report to enable easy cross referencing and checking by the Approvers

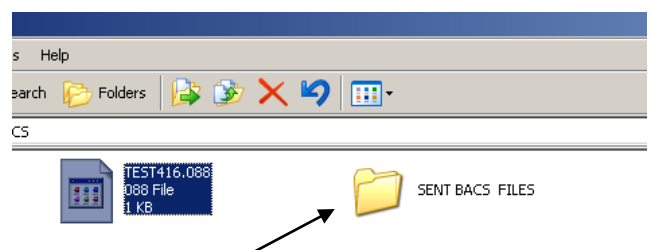
## UPLOAD TO BANK

The Bacs run file is now ready for uploading onto your bank’s online system. Please follow your bank’s instructions to upload the Bacs file and for approvals and submission of the file.

- Set a payment date which allows sufficient time for Approvers to approve the payments. If any Approver misses this date the run will have to be cancelled and reimported
- A report will need to be printed from the bank online system to accompany paperwork provided to Approvers.
- Lloyds Commercial Online instructions can be found in **Annex 14** (please note these are correct at time of writing and Lloyds does have a helpdesk for any queries)
- Ensure all paperwork, including FMS and bank reports, is passed to Approvers allowing time to meet the Bacs processing date.
- Approvers should be provided with the Bacs guidance and it is recommended that they also be supplied with your bank’s helpline number.

## USING THE ARCHIVE “SENT BACS FILE”

After each Bacs file has been uploaded click and drag the file into the SENT BACS FILES Folder.



By doing this after every upload at only one file should be available for uploading to your bank’s online system. Once reconciled with bank statement, delete the Bacs file from the SENT BACS FILES folder.

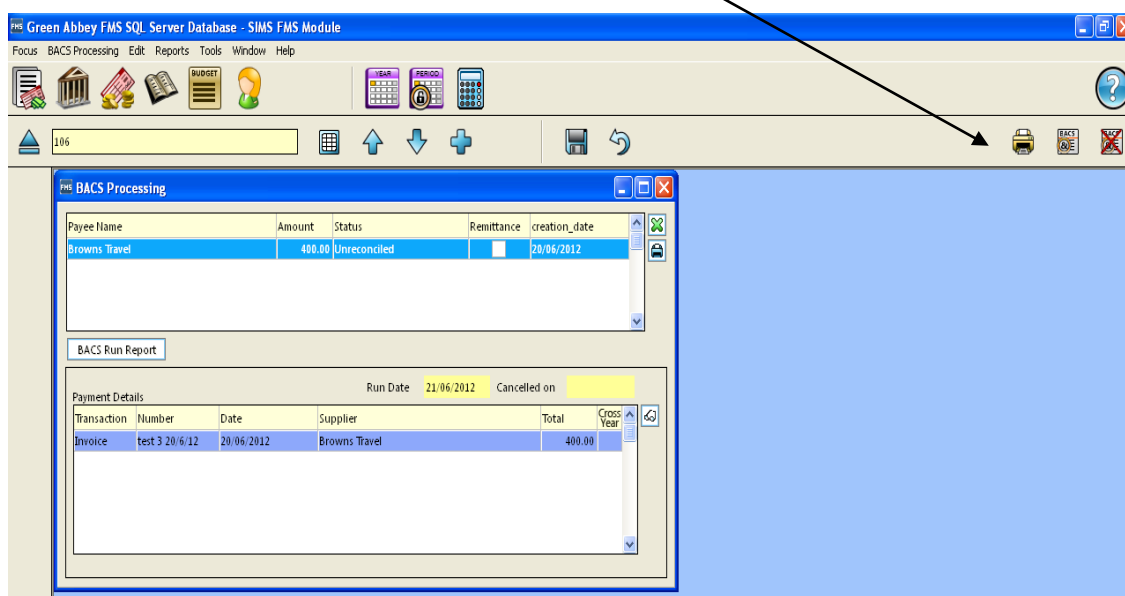
## APPROVERS REJECT BACS PAPERWORK

If any Bacs runs are rejected by Approvers then:

- cancel the run on the online bank system
- amend and reprocess as required on FMS (see Annexes 10 and 11)
- delete the file sitting on the school computer system's Bacs folder.

## AFTER APPROVALS HAVE TAKEN PLACE

- Submit Bacs file on online banking system to enable payments to take place.
- Generate remittance advices. On FMS select:
  - *Focus*
  - *Accounts Payable*
  - *BACS Processing*
  - Select appropriate Bacs file and click on print icon



- FMS6 will email remittance advices to any supplier for which an email address has been entered on the supplier details additional tab.
- The system will print out remittance advices for posting to any supplier who does not have an email address recorded.
- All remittance advices are stored electronically under the SIMS file on the system and copies can be printed, if required, for attaching to invoices and supporting paperwork.
- Each PDF file will be named "*Remittance\_Advice\_NNNNNN\_BBB.PDF*", where NNNNNN is the supplier ID and BBB is the Bacs run number.
- Alternatively record the Bacs run number on each invoice before filing

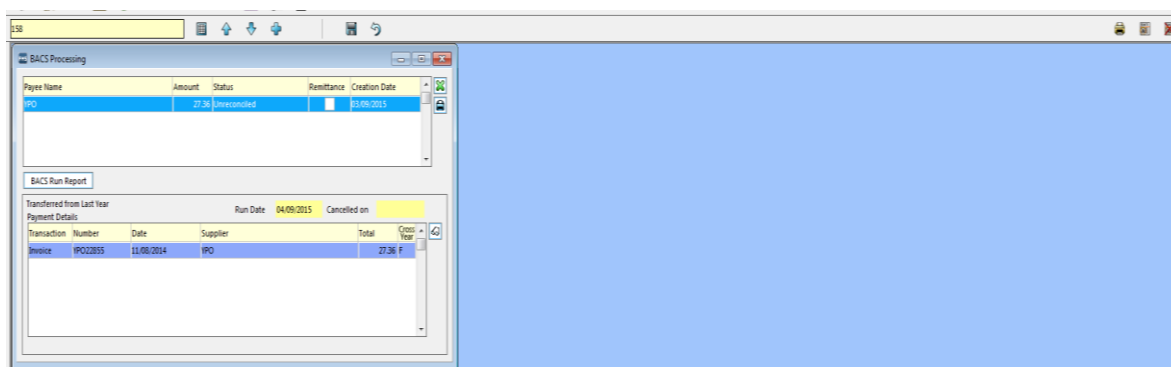
**HOW TO CANCEL A BACS RUN**

Once a Bacs file is created it can be cancelled in the following way

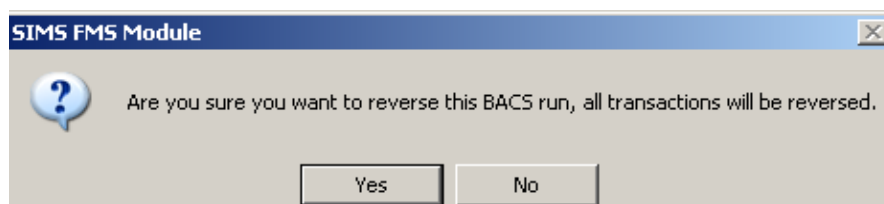
- *Focus*
- *Accounts Payable*
- *BACS Processing*

Highlight Bacs run to be cancelled

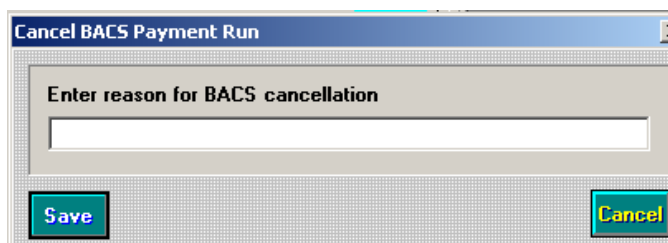
Click on Cancel Bacs Payment Run Icon at top right of screen



- Select Yes



- Enter reason



Invoices processed on this run will appear available for tagging on the next run.

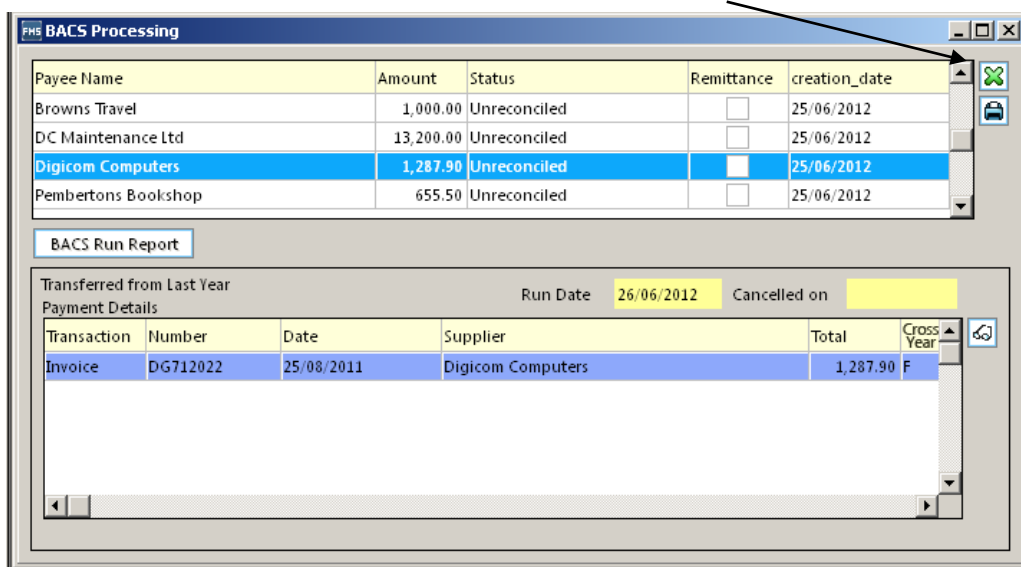


## HOW TO CANCEL A SINGLE BACS PAYMENT

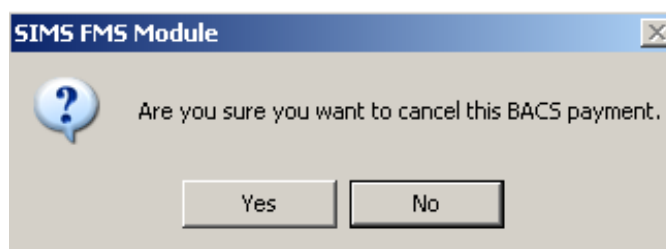
A single Bacs payment from within a run can be cancelled by selecting:

- *Focus*
- *Accounts Payable*
- *BACS Processing*
  
- Choose relevant Bacs run
  
- Highlight relevant payment

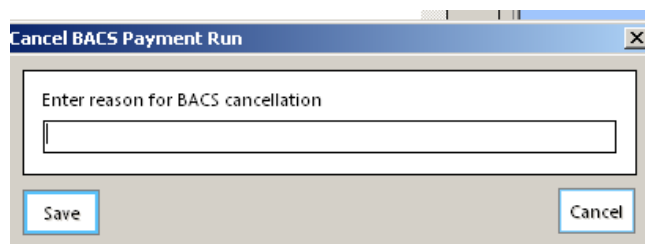
Click on cancel button



A warning will appear requiring confirmation



Then an explanation will be requested



The system will do the following automatically:

- The invoice processed will now revert to the status “not paid” and will be available for tagging on the next run
- A journal will be posted onto the bank crediting the transaction

**Bacs Approver Smart Card – Lost /Stolen Notification**

Cardholder Name	
Department / Contact Number	
Card Number	
Date Lost/Stolen	
Location Lost/Stolen	
Brief Report of Circumstances Lost/Stolen	
Date Reported to Bank	
Name of Contact at Bank	
Date Reported to: Schools Finance Officer/Manager/Director or Bursar or Business Manager  <i>(School to complete this box with appropriate title)</i>	

Give this form to the Schools Finance Officer as confirmation of your telephone call to the Bank and retain a copy for yourself.

## FMS Audit Trail Report of Supplier Data changes

An audit report showing changes made on Supplier Data can be accessed on FMS via:

- Reports
- General Ledger
- Audit
- Audit Trail
- Leave User blank
- Audit Type -  
Accounts Payable
- Audit Sub Type –  
Supplier Details

The screenshot shows a dialog box titled "Report Criteria - Audit Trail". It has a "View" section with the following fields:

- Financial Year: 2010
- User: (blank)
- Audit Type: P Accounts Payable
- Audit Sub Type: U Supplier Details
- Audit Date: from (blank) to (blank)

At the bottom of the dialog box, there are three buttons: "OK", "Cancel", and "Help".

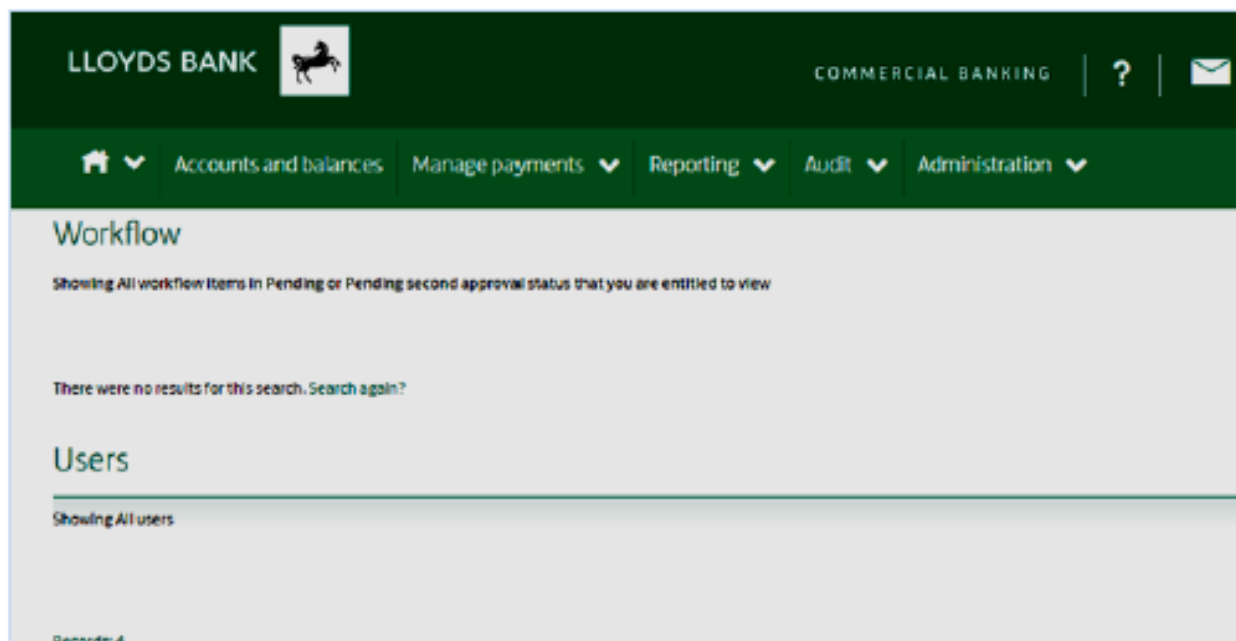
This will list all changes made to the supplier details - but this does show bank account details and sort code numbers so should be treated as confidential information. With this in mind it is recommended that this report should only be viewed and not printed to help ensure security of information.

## LLOYDS COMMERCIAL BANKING ONLINE PROCESSES

### Checking Bank balance is sufficient to cover Bacs payment

- Go to the Commercial Banking Online home page:

<https://cbonline.lloydsbank.com/PrimaryAuth/>



- Log in with your credentials
- Select **Reporting**
- Select **Balance and Transition Report** and click on this report
- Select **Posting Date**
- Choose “**between**” to give dates for statement required. In order to check balance today’s date is required as the end date.
- Choose the account required
- **View results**

## Uploading a Bacs file from FMS

From the home page:

- Select **Manage Payments**
- Select **Import Payments**
- In Format Section select **CAPITAFMSBACS / FMSSIMS**
- Select **Import**
- **Debit Account Information** – select Account Number required
- **Value date** - select date for Bacs run to go out. The date selected needs to be at least 2 working days from the upload and approvals date, bear in mind the approval process and make sure enough time is allowed for this.
- Select the Bacs file exported from FMS, so select **Choose File**
- Follow the file path to the folder I:\SIMS\TRANSFER\Out\BACS
- Select correct file. Previous files should have been archived (see pages 10, 11 & 25 of this guidance) but if not take care to choose correct file.
- Select **Import**
- Double-check the payment batch details against your Bacs report.
- Log out using the log out button (otherwise you will be locked out of the account and will need to wait before logging in again).

## Instructions for Approvers

- Go to the Commercial Banking Online home page:  
<https://cbonline.lloydsbank.com/PrimaryAuth/>
- Log in with your credentials
- Select **Manage Payments** – depending on settings this may lead directly to the Bacs run, if not:
  - Select **Payments**
  - Select **Payment Management**
- Choose Bacs run to approve

- Select **View** and scroll down to **Beneficiary Information**. Check amounts against the Bacs run report and invoices.
- Select **Approve** once checks are completed
- Log out using the log out button (otherwise you will be locked out of the account and will need to wait before logging in again).
- Sign Bacs run report

## **SMALL SCHOOL ARRANGEMENTS**

It is appreciated that the role of a Supplier Data Inputter is an ideal situation as it maximises segregation of duties but this is not always possible in smaller schools. Here there will typically be a Finance Officer who will be acting both as a Supplier Data Inputter and the Payment Processor.

### **Source documents**

A file should be maintained which holds the hard copy of bank details for each supplier whether it be copy invoice, letter or e-mail confirmation. This is effectively the bank mandate for the supplier. Schools should have a system in place to confirm ANY changes requested back to the supplier by a known and different communication channel to check the request is genuine so that fraud is prevented. Vigilance is key and periodic testing of procedures is best practice.

### **Approver**

The Bacs Run Report from SIMS FMS shows for each payment the date and by whom a change to the Payee Bank Account Details was made. Generally these will be historic and will have been checked by a second member of staff.

If there is a recent date change, the following steps should be taken:-

- Confirm the change was made by the Payment Processor and no other user
- Refer to the source document (Bank Mandate), check the change has been authenticated correctly and second checked by another member of staff
- Check the Audit Report for further detail if clarification required
- If in doubt refer to the supplier for confirmation

N.B. Checking the bank details on an invoice to the details uploaded to the bank is not going to assist in preventing internal fraud. Bank details need to match those that have been authenticated and checked by another member of staff.