



Financial Procedures Manual for Schools

**Produced by The Learning Trust
Schools Support (Finance) Team**

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1 INTRODUCTION

1.1 Purpose of this Manual

1.1.1 The purpose of this Financial Procedures Manual is to clearly define and document effective financial controls and processes for Hackney Schools. It informs those involved in the financial aspects of running Schools of what is expected of them, thus reducing the risk of procedures not being implemented properly.

1.1.2 Producing such a document also provides the following benefits:

- Allows continuity and consistency in the absence of or changes to key financial personnel.
- Documents the financial procedures and internal controls within those procedures.
- Documents decisions received from the Governing Body.
- Reduces audit time in testing systems, procedures and controls, because they are properly recorded.
- Allows an opportunity to consider whether existing systems at Hackney meet Schools' financial control objectives, and whether the procedures are being implemented in the way intended.

1.2 Who should Read It?

1.2.1 The Financial Procedures Manual is relevant to school staff at all levels.

1.2.2 All staff with duties involving financial administration should be made aware of the contents of this manual and have access to it.

1.2.3 It is the responsibility of each Headteacher to ensure that staff follow the requirements of the manual whilst delivering their service.

1.2.4 Examples of relevant financial activities are listed below. This list is not exhaustive, but is intended to show that the most routine task has a procedure set out in the Financial Procedures Manual.

- ✓ Submitting staff time sheets or travel claims for payment
- ✓ Procuring goods, services and works
- ✓ Paying invoices
- ✓ Petty cash
- ✓ Receipt of cash
- ✓ Raising sundry debtor invoices
- ✓ Insurance claims
- ✓ Budgets
- ✓ Leasing equipment/vehicles
- ✓ Inventories
- ✓ Computer security
- ✓ Internal audit
- ✓ VAT matters

1.3 The Role of the Finance Director, London Borough of Hackney Council

- 1.3.1 Section 151 of the Local Government Act 1972 requires that every authority shall *“...make arrangements for the proper administration of their financial affairs, and shall secure that one of their officers has responsibility for the administration of those affairs.”*
- 1.3.2 The Director of Finance & Resources for LBH is the Section 151 officer.
- 1.3.3 Section 114 of the 1988 Local Government Finance Act extended the Section 151 officer's powers by requiring him or her to report to all the authority's members, in consultation with the monitoring officer, if there is or is likely to be unlawful expenditure of an unbalanced budget.
- 1.3.4 The Accounts and Audit Regulations 1983 imposed responsibilities relating to accounting control, the form of accounts, balance sheets and internal audit, together with powers to access documents and obtain information from officers. These were updated by the Accounts and Audit Regulations 1996, but the main change was to pass responsibility for maintaining Internal Audit of the Authority to the Section 151 Officer.
- 1.3.5 The Learning Trust has produced their Financial Procedures Manual for Schools to help meet Accounts and Audit regulations.

1.4 Access to the Schools Financial Procedures Manual

- 1.4.1 An electronic version of this manual can be accessed from the following website address: www.learningtrust.co.uk/schools/finance/docs/schools-manual
- 1.4.2 The Learning Trust are responsible for maintaining the Financial Procedures for Schools Manual and will issue updated sections to schools at appropriate intervals.

1.5 Key Learning Trust Contacts

The following tables provide a list of key contacts at The Learning Trust. The Trust is located at the following address:

The Learning Trust
 Hackney Technology & Learning Centre
 1 Reading Lane
 London E8 1GQ

Role	Contact Name	Telephone No.	E-mail Address
Senior Management			
Executive Director of Finance	Vacant	020 8820 7487	To be advised
Assistant Director of Finance	Lesley Baliga	020 8820 7416	lesley.baliga@learningtrust.co.uk
Schools Support Team			
Schools Business Manager	Paul Newman	020 8820 7477	paul.newman@learningtrust.co.uk
School Business Analyst	Fatma Kemal	020 8820 7451	fatma.kemal@learningtrust.co.uk
School Business Analyst	Tom Brighton	020 8820 7492	tom.brighton@learningtrust.co.uk
School Business Analyst	Steffi Sandilands	020 8820 7298	stefania.sandilands@learningtrust.co.uk
School Business Analyst	Anton Ingham	020 8820 7475	anton.ingham@learningtrust.co.uk
Peripatetic Schools Bursar	Asha Tailor	020 8820 7327	asha.tailor@learningtrust.co.uk
Finance Assistant	Amar Hussain	020 8820 7327	amar.hussain@learningtrust.co.uk
Planning and Analysis			
Head of Planning & Analysis	Christine South	020 8820 7490	christine.south@learningtrust.co.uk
Grant Development Manager	Sara Williams	020 8820 7361	sara.williams@learningtrust.co.uk
Schools Allocations Manager	Ophelia Carter	020 8820 7457	ophelia.carter@learningtrust.co.uk
Supplier Relations			
Head of Supplier Relations	Simon Brumfit	020 8820 7385	simon.brumfit@learningtrust.co.uk
Head of Sourcing	Tasha Slaise	020 8820 7316	tasha.slaise@learningtrust.co.uk
Procurement Executive	Pia Larsen	020 8820 7117	pia.larsen@learningtrust.co.uk
Contract Manager	Simeon Bennett	020 8820 7399	simeon.bennett@learningtrust.co.uk
Contract Manager	Alison Russell	020 8820 7466	alison.russell@learningtrust.co.uk
Insurance Officer	Munir Yoozoph	020 8820 7112	munir.yoozoph@learningtrust.co.uk
Payments			
Payments Controller	Hanli Van Emmenis	020 8820 7586	hanli.van-emmenis@learningtrust.co.uk
Income			
Finance & Credit Control Manager	Chris Legg	020 8820 7459	christopher.legg@learningtrust.co.uk
Payroll			
Payroll Manager	Veronica Ferroll	020 8820 7697	veronica.ferroll@learningtrust.co.uk
Performance & Data Manager	Tracy Hoy	020 8820 7301	Tracy.hoy@learningtrust.co.uk

HR			
Head of Human Resources	Sue Newth-Gibbs	020 8820 7299	sue.newth-gibbs@learningtrust.co.uk
HR Manager for Schools	Andrew Foster	020 8820 7018	Andrew.foster@learningtrust.co.uk
Employee Relations Adviser	Samantha Gordon	020 8820 7304	samantha.gordon@learningtrust.co.uk
Employee Relations Adviser	Alex O'Gorman	020 8820 7367	alexandra.o'gorman@learningtrust.co.uk
HR Adviser	Florence Mordi	020 8820 7303	florence.mordi@learningtrust.co.uk
HR Adviser	Elisabeth Powell	020 8820 7212	elisabeth.powell@learningtrust.co.uk
HR Adviser	Vacant (was P Millie)	020 8820 7682	
Management Information Systems (SIMS / KEYS)			
MIS Manager	Anne Weston	020 8820 7313	anne.weston@learningtrust.co.uk
MIS Assistant Manager	Hakim Islam	020 8820 7386	hakim.islam@learningtrust.co.uk
Health & Safety			
Health & Safety Officer	Mark Gator	020 8820 7338	mark.gator@learningtrust.co.uk
Capital			
Head of Property & Capital Development	John Burrow	020 8820 7014	John.burrow@learningtrust.co.uk
Senior Capital Programme Manager	Darren Sivapalan	020 8820 7425	Darren.sivapalan@learningtrust.co.uk
Principal Development Officer	Ginevra Davies	020 8820 7383	Ginevra.davies@learningtrust.co.uk
ICT			
IT Help Desk	Help Desk	020 8820 7777	help.desk@learningtrust.co.uk

1.6 Key London Borough of Hackney Contacts

The following table provides a list of key contacts at the London Borough of Hackney (LBH). LBH are located at the following address:

Keltan House
 89 – 115 Mare Street
 London E8 4RU

Role	Contact Name	Telephone No.	E-mail Address
Construction Industry Scheme	Deborah Cowie	020 8356 6113	Deborah.cowie@hackney.gov.uk
Education Partnership Team	Deborah Cowie	020 8356 6113	Deborah.cowie@hackney.gov.uk
Treasury & Pensions	Jill Davys	020 8356 2646	jill.davys@hackney.gov.uk
Senior Accountant VAT & Tax	Sara Lamport	020 8356 2682	sara.lamport@hackney.gov.uk
Insurance			
Head of Insurance Services	Roy Adams	0208 356 3645	Roy.adams@hackney.gov.uk
Senior Insurance Services Officer	Sonia Uter	0208 356 2635	Sonia.uter@hackney.gov.uk
Insurance Services Officer	Andrew Miller	0208 356 2647	Andrew.miller@hackney.gov.uk
Insurance Services Assistant	Louise Georgiades	0208 356 2667	Louise.georgiades@hackney.gov.uk
Internal Audit			
Assistant Director, Audit & Anti - fraud	Mark Eltringham	020 8356 3119	mark.eltringham@hackney.gov.uk
Fraud Investigation Manager	Patrick Deere	020 8356 2505	patrick.deere@hackney.gov.uk
Client Audit Manager	Paul McLoughlin	020 8356 2530	paul.mcloughlin@hackney.gov.uk
Auditor	Helen McIntosh	020 8356 2557	helen.mcintosh@hackney.gov.uk
Finance Compliance Officer	Harriet Morson	020 8356 2672	harriet.morson@hackney.gov.uk
Internal Audit	Bridget Scheuber	020 8356 2536	bridget.scheuber@hackney.gov.uk
Whistle Blowing Hotline	-	020 8356 2999	-

FINANCIAL MANAGEMENT & RESPONSIBILITY

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2 FINANCIAL MANAGEMENT AND RESPONSIBILITY

2.1 Financial Management & Controls

2.1.1 The Governing Body is responsible for the financial management and control of the school's budget, and compliance with the Scheme for Financing Schools and the Council's Financial Regulations.

2.1.2 However, in order for the Governing Body and school to function effectively, it is vital that decisions are taken by the appropriate people or bodies, and those people and bodies are given the appropriate authority.

2.2 Delegation of Authority

2.2.1 In practice, and in order for the Governing Body and school to operate effectively, Governors will delegate authority to a Committee, an individual Governor, or the Headteacher. To delegate authority to a Committee the Governing Body must establish 'terms of reference' for that Committee. To delegate authority to an individual Governor or the Headteacher, the Governing Body must establish a 'schedule of delegation'.

2.2.2 Both the 'terms of reference' and the 'schedule of delegation' must be documented, minuted as approved by the Full Governing Body, and cover:

- What authority has been delegated
- To whom it is delegated (named committee, governor, Headteacher or other responsible officer)
- What the limits of authority are (values, timescales or specific areas)
- What reporting arrangements are required.



See **Appendix 2.1** for a sample 'terms of reference' – for school consideration and **Appendix 2.2** for a sample 'Schedule of Delegation' – for school consideration.

2.2.3 Both the 'terms of reference' and 'schedule of delegation' should be reviewed and approved annually by Governors.

2.3 Outline of Responsibilities

2.3.1 Whilst delegation of authority may vary from school to school The Learning Trust recommends the following as good practice:

2.3.2 The Governing Body will:

- give strategic direction to the annual budget
- approve the annual budget
- approve the School Profile statement (staffing structure)
- approve budget virements (transfers) of over £40,000 (secondary) and £20,000 (other)
- approve the school's charging policy for lettings and other income

- Authorise the disposal of assets valued at over £5,000 (secondary) and £2,500 (other)
- ensure that there is a regularly updated Register of Business Interest
- authorise contracts in excess of £40,000 (secondary) and £20,000 (primary)
- ensure that the school's Asset Register is kept up-to-date and reviewed at least once a year.

2.3.3 The Finance Committee (or Resources Sub-Committee) will:

- Consider the annual budget and make budget recommendations to the Governing Body
- consider the School Profile statement (staffing structure) and make recommendations to the Governing Body
- approve significant budget transfers of between £10,000 - £40,000 (secondary) and £5,000 - £20,000 (other)
- monitor and control the budget; receive audit reports and ensure action plans are implemented
- consider the charging policy for lettings and other income
- authorise the disposal of assets with value between £500 - £5,000 (secondary) and £250 - £2,500 (other)
- ensure that there are adequate internal financial controls
- authorise contracts between £10,000 - £40,000 (secondary) and £5,000 - £20,000 (other).



See **Appendix 2.1** – Sample Finance Committee Terms of Reference.

2.3.4 The Headteacher will:

- prepare the annual budget
- prepare reports to the Governing Body and Finance Committee for consideration and or approval, including termly financial monitoring reports to the Committee
- prepare the School Profile statement (staffing structure)
- approve budget transfers of no more than £10,000 (secondary) and £5,000 (other)
- prepare budget virement (transfer) requests for Finance Committee or Full Governing body consideration
- ensure spending remains within approved budget limits and budgeted income is received.
- receive audit reports and develop action plan to implement recommendations.
- develop/review charging policy for lettings and other income
- authorise contracts up to £10,000 (secondary) and £5,000 (primary).
- ensure that there are adequate internal financial controls are in operation and that they are documented
- authorise the disposal of assets up to a value of £500 (secondary) and £250 (other).



See **Appendix 2.2** – Sample Schedule of Delegation.

2.3.5 The Bursar/Finance Officer will, under the direction of the Headteacher:

- update /maintain the school's financial system
- monitor spending against budget and report variances
- produce financial reports as requested for the Headteacher
- ensure adequate cash flow
- ensure Construction Industry Scheme (CIS), Value Added Taxation (VAT) and payroll legislation is adhered to.



See **Appendices 2.3** and **2.4** for a sample job profile and job description. See also the DfES 'Looking for a Bursar?' document. This can be found in the DfES Financial Management Standard for Schools and Toolkit at:

www.ipfbenchmarking.net/consultancy_dfes_update

2.4 Summary of Recommended Delegated Authorities

2.4.1 The following tables summarise the recommended levels of financial authorities delegated by the Governing Body.

2.5 Recommended Secondary School Delegated Authorities:

Delegated Authority	Transfer monies	Enter into a contract	Debt Write-off
Governing Body	£40,000+	£40,000+	£5,000+
Finance Committee	£10,000 - £40,000	£10,000 - £40,000	£500 - £5,000
Headteacher	Up to £10,000	Up to £10,000	Up to £500

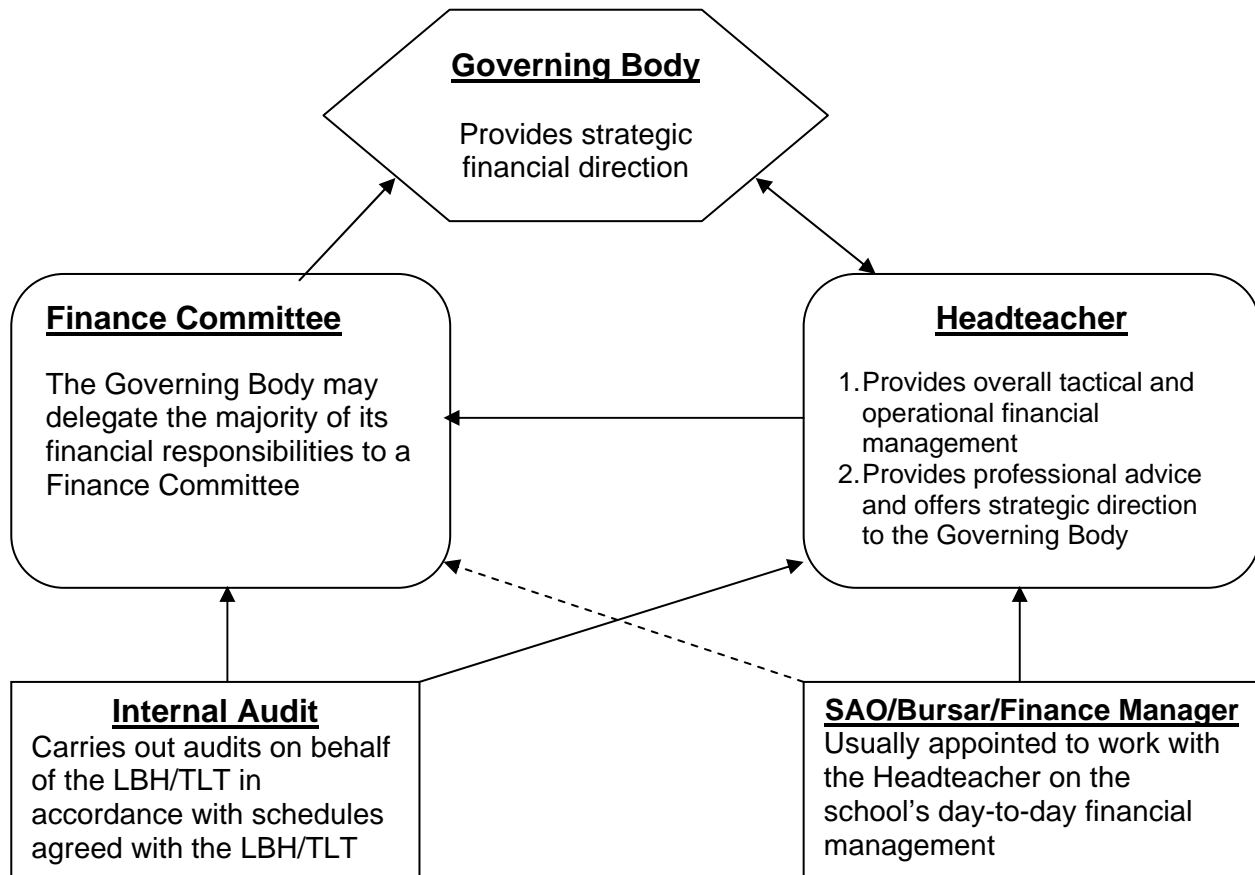
2.6 Recommended Primary/Other School Delegated Authorities:

Delegated Authority	Transfer monies	Enter into a contract	Debt Write-off
Governing Body	£20,000+	£20,000+	£2,500+
Finance Committee	£5,000 - £10,000	£5,000 - £10,000	£250 - £2,500
Headteacher	Up to £5,000	Up to £5,000	Up to £250

2.6.1 For debts above £5,000, schools must first obtain approval to write off the debt from the Assistant Director of Finance at The Learning Trust, then the Governing Body/Finance Committee.

2.7 Organisational Structure of a School

2.7.1 The chart below shows a typical organisational structure of a school, with the arrows representing the general lines of reporting:



2.8 Internal Controls

2.8.1 The Governing Body must ensure that there are adequate internal controls in place. There are a number of controls that should be applied by the Governing Body (in practice through the Headteacher) to ensure that the risks of error or fraudulent activity are minimised:

- Staff expertise
- Segregation of duties
- Documentation
- Register of business interests
- Financial Accounting records.

2.8.2 Schools must have in place documented financial procedures, which should be based on those in this Financial Procedures Manual for Schools.

2.9 Register of Business Interests

- 2.9.1 Business interests include employment by or ownership of (including by means of partnership or shares) a potential supplier to the school or a major supplier or sub-contractor to a potential supplier to the school.
- 2.9.2 In accordance with the Scheme for Financing Schools, the Governing Body is required to establish and maintain a register which lists, for each member of the Governing Body and the Headteacher, any business interests they or any member of their immediate family have.
- 2.9.3 In addition to the Headteacher, key staff (Deputy Head, Bursar, Premises Manager) and all Governors, it is good practice for all staff who make or influence procurement decisions to have their own and their immediate family's business interests added to the register.
- 2.9.4 The register must be kept up-to-date by the Headteacher notifying the Governing Body of changes. The Headteacher must ensure that the register is reviewed at least annually.
- 2.9.5 The register must be available for inspection by Governors, staff, parents and the LEA.
- 2.9.6 Where a governor or Headteacher has no business interests, this should be also be recorded on the register.



See **Appendix 2.5** for a copy of Governors' Guidance Notes for maintaining the register, and a sample Register of Pecuniary and Other Interests.

2.10 Federated Governing Bodies

- 2.10.1 There are two types of federation:
- A **Soft Federation** - where individual schools form a collaborative federation. The federated schools maintain their own Governing Bodies but work closely with one another in areas such as procurement arrangements.
 - A **Hard Federation** - where federated schools report to a single Governing Body.
- 2.10.2 There is currently little precedent or practice to draw on, but the following points must be observed:
- All the same financial procedures and controls apply to federations.
 - The federation proposal (or associated plan) must set out the extent to which the Governing Body or Bodies will integrate or pool financial resources.
 - Schools will still be funded individually and must maintain separate accounts.
 - The Governing Body or Bodies may pool resources and spend money across the two schools, but must maintain audit trails linking the costs of goods or services to charges to school accounts and ensure that one school is not being treated unfairly.

2.11 Governors' Allowances

- 2.11.1 A policy statement has been developed in accordance with the Education (Governors' Allowances) Regulations 2003. These regulations give Governing Bodies the discretion to pay allowances from the school's annual budget allocation to Governors for certain expenses that they incur in carrying out their duties.
- 2.11.2 In schools with delegated budgets, the amount of Governor allowances and the items for which claims may be made are a matter for the Governors to agree before expenses can be claimed. A Model Scheme for Paying Governors' Allowances' is provided in **Appendix 2.6**.

Appendix 2.1 – Sample Finance Committee Terms of Reference

RESOURCES / FINANCE COMMITTEE		
Membership:	Quorum 3 (excluding Head)	Designation
		Chair
		Co-opted
Headteacher		Ex-officio
Clerk/Minute taker: arrange meetings; notify members with agenda; take minutes; circulate minutes to the Governing Body.		Clerk/Minute taker
Finance Tasks and responsibilities (Terms of Reference)		WHEN
1. ENSURE a strategic approach to planning a budget that reflects the school's prioritised educational objectives.		Autumn to Spring
2. PLAN AND PRESENT the budget to Governors for approval, in line with the School Improvement Plan (including the schools staffing structure and charging policy).		Spring
3. MONITOR the budget, ensure expenditure stays within agreed limits, act on significant variances and report to the governing body.		Termly
4. APPROVE the allocation of new, unallocated, or surplus funds and/or the virement (transfer) of funds between budget headings, up to a limit of £20,000 (primary) or £40,000 (secondary). Amounts in excess of this must be authorised by the governing body. All virements must be reported to the governing body.		As necessary
5. REVIEW the school's procedures for financial monitoring and control annually, liaise with the Headteacher on specific aspects of those procedures and APPROVE the Financial Procedures Manual annually.		Annually
6. ENSURE adherence to all financial controls and procedures, as stipulated by The Learning Trust, to ensure the probity of the school's accounting procedures.		Ongoing
7. MONITOR & ENSURE that the School Voluntary Fund and Governors Fund are managed with the same rigour as the public accounts and arrange for annual audits on these accounts.		Ongoing
8. APPROVE CONTRACTS up to £20,000 (primary) and £40,000 (secondary). Amounts in excess of this must be authorised by the governing body. ENSURE contracts and tenders are awarded in accordance with Hackney Council's Financial Regulations.		Ongoing
9. ENSURE that the school's day-to-day financial management is established on firm principles of financial monitoring and control; that all decisions are taken in accordance with Learning Trust finance standing orders; require monitoring reports of expenditure and income against the school's delegated budget, from the Headteacher, at each of the Committee's regular (termly) meetings.		
10. PROVIDE written minutes to the Governing Body.		Ongoing

Appendix 2.2 – Sample Schedule of Delegation

Delegation from the Governing Body to Committee is via the Committee's Terms of Reference. Delegation from the Governing Body to the Headteacher is via the Schedule of Delegation below.

PROPOSED DELEGATION TO THE HEADTEACHER

*The first part outlines **what** authority and responsibility is being delegated to the Headteacher*

GENERALLY

1. To ensure the allocation of resources meets the school's educational priorities, as approved by the Governing Body.
2. To be responsible for the day-to-day management of the school budget and for ensuring that all financial decisions, procedures and practices are undertaken in line with the Financial Procedures Manual for Schools.
3. To evaluate and report on the effectiveness of budget allocations.
4. To ensure regular monthly monitoring of the school budget.
5. To report to the Finance Committee at least termly.

The second part should list specific responsibilities delegated, or limits on delegated authority, imposed by the governing body. The delegation to the Headteacher should be read in conjunction with the delegation to the finance committee.

SPECIFICALLY

Examples for particular circumstances are given below:

- To authorise all expenditure within the agreed budget plan for the school, subject to the limits on the transfer (virement) of funds.
- To authorise virements between budget headings up to limit of £5,000 (primary) £10,000 (secondary) per term and to report all virements to the Finance Committee.
- To authorise contracts for the provision of goods or services up to limit of £5,000 (primary) £10,000 (secondary) per term, and to report all contracts to the Finance Committee.

Appendix 2.3 - Sample Job Profile

Post title:	Bursar	Responsible to:	The Headteacher
Job Summary:	To manage the administrative function and to maintain systems to facilitate effective financial control within the school.		

DUTIES AND RESPONSIBILITIES

The post holder will be expected to work flexibly and carry out all duties in the context and in compliance with all the School's policies and procedures and in compliance with the London Borough of Hackney's Equal Opportunities Policies and Code of Conduct.

Managing support staff

- Lead and co-ordinate the efficient operation of the school administrative systems.
- Liaise with the Headteacher in setting aims and objectives for all support staff, ensuring they are met to the required standard and to predetermined time scales.

Maintaining and using Human Resources details

- Assist in the provision of first line human resources management for all staff, in accordance with the Trust's school guidelines and agreed procedures, including recruitment, interviews, leave and advice on conditions of service.
- Monitor sickness and other types of absence, and produce appropriate statistical data.
- Ensure that all computerised staff and student records are kept accurately and comply with the requirements of the Data Protection legislation.

Dealing with staff pay

Liaise with Payroll to resolve all salary queries for support and teaching staff and authorise staff absence returns, where appropriate.

Dealing with accounting systems

- Ensure that appropriate accountancy systems are in place in the school.
- Monitor all budget holder accounts.

Producing Reports and Budgets and giving advice

- Prepare the annual budgets (in conjunction with the Headteacher) for approval by the Governing Body.
- Prepare termly expenditure accounts for presentation to the Headteacher and Governing Body.
- Assist in the preparation of statistics and return of information to the London Borough of Hackney and external bodies, e.g. the DfES.
- Provide advice and support to the Governing Body on resource planning and income generation, and on the school's overall finance.
- Clerk, as necessary, meetings of the Governing Body.
- Prepare reports, financial statements and minutes of meetings, as required.

Responsibility for receipt, safekeeping and banking of all monies received by the school

- Arrange audits, ensure maximum return on investments, act as a cheque signatory and control petty cash.
- Co-ordinate purchasing goods and supplies, ensuring that the school obtains best value for money from suppliers and contractors.
- Manage the school's income generating activities (in conjunction with the Headteacher), with particular responsibility for premises lettings.

Health and Safety

- Co-ordinate all matters relating to Health and Safety and report them to the Headteacher, where necessary.
- Any other duties commensurate with the grading for the post.

Appendix 2.4 - Sample Job Description

Post: Finance Manager/Bursar Grade

Job Summary : To manage the administrative function and to maintain systems to facilitate effective financial control within the school.

PRINCIPAL ACCOUNTABILITIES

1. Maintaining the school's financial systems and accounts.
2. Managing the school's administrative and secretarial functions.
3. Maintaining the school's database on pupils and staff.
4. Assisting in the management of the school premises.

JOB CONTENT Main duties and responsibilities are indicated here. Other duties of an appropriate level and nature will also be required.

1. Maintenance of the school's financial and accountancy systems, including:
 - Prepare the annual budget (in conjunction with the Headteacher) for approval by the Governing Body
 - Prepare termly expenditure accounts for presentation to the Headteacher and Governing Body
 - Ensure timely production and issue of financial reports and returns as required by the LEA
 - Be responsible for the school's accounting procedures, including arranging audits, ensuring maximum return on investments, acting as a cheque signatory and controlling petty cash
 - Liaise with the school's payroll provider regarding the correct payment of staff salaries, including the administration of claims for travel, overtime, etc.
 - Co-ordinate the purchase of goods and supplies, ensuring that the school obtains best value for money from suppliers and contractors
 - Have overall responsibility for receipt, safekeeping and banking of all monies received by the school
 - Manage income generating activities of the school, in conjunction with the Headteacher.
2. Managing the school's administrative and secretarial function, including:
 - Be responsible for the school's support staff, including arranging for their appropriate training and development
 - Manage recruitment and selection of support staff, in conjunction with the Headteacher
 - Co-ordinate the work of the office staff, ensuring efficient running of the school office
3. Maintaining the school's database on pupils and staff:
 - Act as Systems Manager for the administrative computer network
 - Be responsible for the security of data and access rights to the system.
 - Identify developments for the use of IT to improve effectiveness of school administration.

4. Assisting in the management of the school premises, including:

- Manage income from premises lettings to outside bodies
- In conjunction with the Premises Officer/Site Manager, be responsible for buildings maintenance, furniture and equipment, ensuring security and repair.
- Oversee the school's caretaking and cleaning, including quality control.

JOB CONTEXT

Reports to: The Headteacher

Supervises: The school's support staff

Contacts: The Headteacher, Senior Managers, other school staff, pupils, Governing Body, the LEA, other outside bodies such as building contractors, etc.

Financial Responsibility: Maintenance and monitoring of the school's public and non-public funds

Key Organisational Objectives:

The post holder will contribute to the school's objectives in service delivery by:

- Enactment of Health and Safety requirements and initiatives, as directed
- Ensuring compliance with Data Protection legislation
- At all times operating within the School's Equal Opportunities framework
- Commitment and contribution to improving standards for pupils, as appropriate.

Conditions of Service:

Governed by the National Agreement on Pay and Conditions of Service, supplemented by local conditions as appropriate.

Special Conditions of Service:

The post holder may be required to work outside of normal school hours on occasion (e.g., to attend Finance Committee meetings, Governing Body meetings, etc).

Appendix 2.5 - Guidance Notes and Sample Register of Interests

GOVERNORS' (AND STAFF) REGISTER OF INTERESTS

FOR: Governors and Staff of all Schools

FOR DECISION: To complete the register of governors' interests as required by regulation.

Level of Consideration – this item should be considered by the Governing Body and declarations recorded in the register (sample attached) provided by the Clerk.

PURPOSE

The purpose of this briefing note is to provide guidance on complying with standards of accountability for those involved in spending public money through keeping a register of governors' pecuniary and other interests.

WHY IS IT NECESSARY TO REGISTER AN INTEREST?

It is important that governors (and staff with delegated authority) who are involved in spending public money are able to demonstrate that they do not benefit personally from decisions they make. Governors should also be seen to be complying with relevant regulations and guidelines to protect themselves against accusations of personal gain or favouritism and to comply with an important aspect of the financial standards check undertaken as part of the Ofsted inspection process.

BACKGROUND

The School Government Regulations require governors to withdraw from a meeting if they have a personal interest in the matter under consideration. Governors are familiar with this when dealing with questions of recruitment, promotion, salary assessment or disciplinary procedures. This paper is not primarily concerned with this regulation, as these types of interest tend to relate to employees or prospective employees and are usually declared and minuted as they arise at meetings. However, governing bodies have become increasingly involved in spending public money through the letting of contracts or the purchase of goods and services, largely as a result of:

- the delegation of budgets for repairs, maintenance and internal decoration of the school and the opportunities to undertake premises improvements using funds from the delegated budget,
- the need to consider contracting arrangements for services such as cleaning, grounds maintenance and catering, and
- the purchase of goods (e.g. materials, equipment, etc.) and services (e.g. training, professional advice, transport, etc.).

The standards of accountability for those involved in spending public money extend to school governors under local management. Information relating to these standards is set out in a number of documents, but can be summarised as:

- The governing body should establish a register of pecuniary or other interests, open to public inspection, listing governors' individual interests.
- The Head and other staff with authority to incur expenditure should declare their interests also.
- A governor who has a personal interest in any matter coming before the governing body should withdraw and not participate in the decision making process.

Please remember that even though your interest may be included on a register, you must still declare it and withdraw if it arises at either a governing body or committee meeting.

WHAT IS AN INTEREST?

An “interest” arises in this context where an individual may stand to gain some financial or material advantage or benefit as a result of a decision which they are party to.

A “pecuniary” interest means simply that the interest relates to money. As well as pecuniary, interests are also often described as material, private or personal. For the purposes of this note reference is made to ‘pecuniary or other interests’.

A governor should register an interest if they, their spouse/partner, family, or relative has a link with an individual or business that may contract for work or provide goods and services for the school. This will, more often than not, relate to local businesses.

To “register” an interest simply means to make a written record of these connections or links available in a formal way. To “declare” an interest means to state that interest at a meeting.

WHAT IS A REGISTER OF INTERESTS?

A register of governors’ pecuniary or other interests is a written public declaration of links the governors may have with local businesses or individuals from which the school may purchase goods or services or enter into contracts with. Examples of such links are where governors or their spouse, etc. might be an owner, employee, partner, shareholder, consultant, or representative, etc., of a local business. It is unlikely that employees of larger national or regional companies or organisations would need to declare their employment as an interest as there is unlikely to be any personal gain.

Employees of the school who are governors would not be required to declare their employment as an interest, but would be required to declare any other links they or their family may have with local businesses as above.

PUTTING IT INTO PRACTICE

In order to make this practice as straightforward as possible, each Clerk has been supplied with a format for keeping such a register. It is advisable that the Clerk takes responsibility for ensuring new governors are included and that it is reviewed annually. The Head should ensure that it is available for inspection if somebody wishes to look at it and for Ofsted. Each governor should then consider whether they have an interest and complete the form accordingly. Reference should be made in the annual report to parents that the register is open to inspection.

It is not practical to be exhaustive in this paper about what should and should not be included. If you find it difficult to decide whether you have an interest which ought to be declared the best approach is to remember that the spirit of the regulation is that everything should be above board and open, and if in doubt it is better to register the interest. There are some examples on the form, but if you wish to discuss this further you can contact the Governors Support Unit on 020 8820 7369.

REFERENCES: Keeping Your Balance (Standards for Financial Administration in Schools): Audit Commission/Ofsted; The Council’s Financial Regulations as applied by the Scheme for the Local Management of Schools; School Government Regulations 1999.

SAMPLE REGISTER OF PECUNIARY AND OTHER INTERESTS
Governing Body: _____ **Date:** _____

See Notes on Completing the Register, overleaf

Governor/Staff with Delegated Authority Name & Signature	Business or Individual with whom person has an Interest	Nature of that interest

CLERK: _____ **DATE:** _____

NOTES ON COMPLETING THE REGISTER

NATURE OF THAT INTEREST - If the nature of your interest is through spouse, partner, family, or relative, then please indicate as such under this heading.

Examples:

Governor's (or staff with Delegated Authority) Name & Signature	Business or Individual with whom Governor has an Interest	Nature of that interest
A.N Other	T. Jones - Painter & Decorator - W14	Business owned by A.N. other - self employed
J. Bloggs	Uniform Supplies LTD, SW6	Family member owns and manages the shop
S. Part	M. Miles - Solicitors, W12	Spouse is Partner in Practice
N. South	South Thames Builders SW19	Employee of company
E. West	West London Landscaping & Gardening Services plc	Hold shares in the company

Appendix 2.6 – Model Governors’ Allowances Policy

The <School Name> Governing Body believes that paying Governors’ allowances for certain items is important in ensuring equality of opportunity to serve as Governor for all members of the community and so is an appropriate use of school funds.

From <date>, all governors of <School Name> will be entitled to claim reimbursement for costs incurred wholly in carrying out their duties as a Governor or Representative of <School Name>, with approval from the Governing Body.

Claims may be made against the following costs:

- Childcare or baby sitting allowances (excluding payments to a current/former spouse or partner)
- Cost of care arrangements for an elderly or dependent relative (excluding payments to a current/former spouse or partner)
- The extra costs they incur in performing their duties either because they have special needs or because English is not their first language
- The cost of travel relating only to travel to meetings/training courses at a rate of 24 pence per mile which does not exceed the specified rates for school personnel
- Travel and subsistence costs, payable at the current rates specified by the Secretary of State for the Environment, Transport and the Regions, associated with attending national meetings or training events, unless these costs can be claimed from the LEA or any other source
- Telephone charges, photocopying, stationery, postage etc.;
- Any other justifiable allowances.

Governors may not be:

- paid attendance allowance
- reimbursed for loss of earnings.

Governors wishing to make claims under these arrangements should complete a claims form (obtainable from the School Office), attach receipts, where possible, and return it to the School within two weeks of the date the expenses were incurred. The claim will then be submitted for approval by the Chair of Governors or Chair of Finance to be presented to the Finance Committee (which meets at least once per half-term) for final approval.

Claims will be subject to independent audit and may be investigated by the Chair of Governors (or Chair of Finance in respect of the Chair of Governors) if they appear excessive or inconsistent.

This policy will be reviewed annually.

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3 ORDERING & PURCHASING

3.1 Effective Procurement

3.1.1 It is vital that schools are effective procurers of goods and services. For effective procurement, you need to satisfy each of the following five 'rights':

1. Procure the right **Goods or Service** - the most critical element of any procurement is ensuring that we purchase the right good. For higher value items (those over £1,000) it is often helpful to draw up a specification that outlines exactly what is needed. It is important to consult widely, taking comments from all those who may be affected by the procurement, as what you think is needed or what has been purchased before may not still be what is required.
2. Buy the right **Quantity** – often the more one buys of an item the better the price. Always ask a supplier if they are willing to offer volume reductions. If they do, consider working with other schools to pool volumes, or where you have storage space, make fewer, larger orders. However, always ensure that the volume you are buying will in fact be used.
3. Purchase items of the right **Quality** – a cheap item may not offer best value for money if it breaks down regularly, and an expensive item may be over-specified for the job it is intended to do. Ensure that the item or service you are buying is of 'sufficient' quality to meet the school's needs.
4. Purchase at the right **Price** – there are two categories of costs when considering price:
 - purchase price - which covers the up-front cost of the item; and
 - lifecycle costs, which include other costs that may be incurred in owning and running the item.

Consider both sets of costs when undertaking any purchase. Vendors may offer a very low purchase cost, but charge high lifecycle costs. For example, you may pay less for one printer than another, but if toner cartridges cost significantly more for that printer than the more expensive one, you may find that your saving on the printer is quickly cancelled out. The best way to ensure that you are achieving a good price is to invite more than one company to submit pricing. This is why we have set minimum numbers of quotations for different values of goods or services to be purchased.

5. The right **Location** – ensure that the supplier knows exactly where you need the goods to be delivered.

3.1.2 Before sanctioning any procurement, it is essential that you are satisfied that the money to be spent should appropriately be taken from school funding. For example, it would be more appropriate for staff to contribute to a retirement gift, rather than using schools funding.

3.2 Expenditure Limits

3.2.1 Schools should obtain prior approval from the Governing Body for all expenditure above the delegated authority given to the Headteacher or Finance Committee.

- 3.2.2 With the exception of purchases made through Framework Contracts (see below), the following limits apply:
- 3.2.3 No specific number of verbal quotations are required for purchases totalling less than £1,000, although value for money should be demonstrated and verbal quotations documented as evidence that the procedures have been followed. An official order must be completed.
- 3.2.4 Two or more written quotations are required for purchases totalling between £1,001 and £10,000 unless it is impracticable to do so. An official order must be completed.
- 3.2.5 Three or more written quotations are required for all expenditure above £10,001, except where it is impracticable to do so. An official order must be placed.
- 3.2.6 Remember that with all procurements the threshold is defined by the total amount spent under a contract, not the initial contract value. Thus, if you contract for a sum that is just under a threshold and your requirements then increase so that the total rises above the threshold, the increase will require an additional procurement activity. Ensure that you select a threshold that is high enough to cover all anticipated needs.
- 3.2.7 In circumstances where it has not been practicable to obtain the required number of quotations (e.g. where one or more suppliers have refused to quote), the reasons for not doing so must be reported to the finance committee and/or the Governing Body.

3.3 European Union Procurement Regulations

- 3.3.1 Strict rules apply to all public bodies (including schools) spending more than the EU thresholds on goods and services. In 2005/2006, the threshold for most items was £152,765. Capital works have a higher threshold of £3,834,007. The threshold applies to the contract value, not the annual value of the contract, so a three year contract with an annual value of £60,000 would be subject to the regulations.
- 3.3.2 Very heavy penalties apply to contraventions of these regulations. It is thus essential that you undertake procurements in a compliant manner. Further information is included in *ineed! Lite* – the school's procurement handbook, or from The Learning Trust Supplier Relations team (See Section 1 – Key Learning Trust Contacts).

3.4 Framework Agreements

- 3.4.1 A framework agreement is an agreement negotiated by or on behalf of schools, from which schools can order without needing to obtain any competitive quotations. The Learning Trust has placed many such agreements, and schools often benefit from better pricing than would be available to them acting alone. The Trust also manages these contracts on behalf of schools and can support schools with any issues that may occur. Please contact The Learning Trust Supplier Relations team for more details.

3.5 When Quotation Accepted is not the Lowest

- 3.5.1 Sometimes it is advisable not to accept the lowest quotation received. In these circumstances, schools must report the reason for the decision to the Governing Body and include it in the minutes of the relevant meeting.
- 3.5.2 It may be necessary for the school to demonstrate that it has achieved value for money in these circumstances.

3.6 Agreements with Capital Implications

- 3.6.1 Any financial agreement with capital implications should be linked to the priorities set out in the school's Asset Management Plan.

3.7 Purchase Orders

- 3.7.1 Written (or computerised) orders ensure that the school has a precise record of what has been ordered, which can then be compared against items delivered.
- 3.7.2 Official uniquely-numbered orders must be used for all goods and services except utilities, rents, rates and petty cash payments.
- 3.7.3 Where urgency requires a verbal order, it must be followed up as soon as possible with a written order.
- 3.7.4 All orders should be stored in a secure location to prevent unauthorised access.
- 3.7.5 Orders should only be used for goods and service provided to the school. Individuals must not use official orders to obtain goods and services for their private use.

3.8 Authorising Orders

- 3.8.1 All orders must be signed by an approved member of staff. Authority to authorise orders must be aligned to budget management responsibilities. Officers should not be permitted to make orders against budgets falling outside of their responsibilities.
- 3.8.2 Schools must maintain a register of staff authorised to sign off orders, indicating what they are entitled to order and the budget(s) against which they are entitled to order.
- 3.8.3 The signatory of the order should be satisfied that the goods or services ordered are appropriate and needed, that there is adequate budgetary provision, and that the required quotations or tenders have been obtained, prior to authorising the order.
- 3.8.4 Orders should be passed through to the school's finance officer. The school's finance officer will:
- counter-sign the order
 - record it as on the school's accounting system (thus raising a commitment entry) should the system allow
 - send an official order to the supplier
 - retain a copy on file

- return one copy to the budget holder as confirmation that the order has been placed.

3.8.5 Where a member of staff intends to buy goods or services using personal funds, prior approval from the appropriate budget holder must first be obtained, using the appropriate form.



See **Appendix 3.1** and **3.2** for sample purchase request forms.

3.8.6 A receipt must be produced by the member of staff when claiming back the expense. Reimbursement should be made by cheque.

3.8.7 Should a member of staff purchase goods from their own funds without prior approval from an appropriate authoriser, no guarantee should be given for reimbursement.

3.8.8 Orders should include the following details:

- Specification of requirements
- Quantity required
- Name of school, delivery date and address. The address should always be the school's address
- Contact person's name and telephone number
- Date of issue
- All relevant prices and quotations, including any VAT elements
- Name and address of supplier and suppliers' reference, where applicable.

3.8.9 Orders should be filed with information on quotations sought, and any appropriate information on the need for the purchase.

3.9 Orders Entered as Commitments on Budget

3.9.1 When orders are entered onto the School's SIMS or KEYS computerised accounting system, the system generates a commitment. The commitment outstanding reduces or is eliminated once the invoice is received and entered onto the system.

3.9.2 Committed costs should be included in the school's budget monitoring information, giving the school a much clearer position of how much they have left available to spend.

3.10 Payroll Contractors

3.10.1 As of 1st April 2000, any school choosing a payroll contractor other than The Learning Trust's preferred payroll provider will need to demonstrate to the satisfaction of the Assistant Director of Finance at The Trust that the school's proposed contractor has the necessary expertise and capacity to deliver the contract in a satisfactory manner.

3.11 Self-employed Contractors

3.11.1 When engaging a contractor, particularly from a small or a one-man business, the employment status should first be established. If the individual is offered terms, e.g. an hourly rate of pay and/or equipment and materials are provided by

the authority, this can be regarded as an ‘employment’ and payment should be made via the payroll, with the appropriate payroll deductions being made.

- 3.11.2 To find out if someone is employed or self-employed, look at the Inland Revenue’s website: www.hrmc.gov.uk/employment-status If in doubt, schools should seek advice from the Inland Revenue.
- 3.11.3 If the contract is for self-employment, schools should consider whether the work falls within the Construction Industry Scheme. If the contract includes construction operation, then it is. If it does not, treat the person as you would any other self-employed person and pay them gross (that is, without taking off anything for tax or National Insurance Contributions - NIC).

3.12 The Construction Industry Scheme (CIS)

- 3.12.1 The CIS was originally introduced in the 1970s in a bid to clamp down on the widespread tax evasion that existed in the construction industry. The scheme was intended to allow only those sub-contractors who could satisfy the Inland Revenue that they had a proven track record of compliance with their tax and NI obligations to receive payment without deduction. Several changes have occurred since then, with a major revision in August 1999.
- 3.12.2 In addition to construction contractors, some non-construction businesses, including local authorities, are deemed to be contractors for CIS purposes. ‘Construction operation’ is a very broad description and, in addition to major construction contracts, it includes lesser tasks such as re-painting.



See **Appendix 3.3** for a copy of the *Scope of Construction Operations*, which provides some guidance on which types of construction work are within the CIS and which are not.

3.13 CIS Registration Cards/Certificates

- 3.13.1 New legislation introduced from August 1999 made the CIS certificates much harder to come by. All previous certificates became invalid on 1 August 1999 and were replaced with:
- A CIS 4 (P). This is a permanent registration card issued to sub-contractors and entitling the holder to be paid **with a deduction on account of tax and NIC**. It has no expiry date and shows the photograph and signature of the authorised holder.
 - A CIS 4 (T). This is a temporary registration card valid for a period of 3 months. It shows a photograph and a signature and entitles the holder to be paid **during the validity of the card only** with a deduction on account of tax and NIC.
 - A CIS 5. This is a CIS tax certificate issued to companies who, because of their size or geographical spread, cannot operate with the CIS 6 certificate. It bears the Company Secretary’s signature. The company is issued with an original card and a number of copies. It will probably be a copy that is presented to the contractor. It entitles the sub-contractor to be **paid gross during the validity of the certificate**.
 - A CIS 6. This is a CIS certificate issued to qualifying individuals and partners in firms, and to the directors of companies that qualify. It shows the

photograph and signature of the authorised holder and entitles payment to be made **gross during its validity**.

- 3.13.2 As a 'contractor', LBH and its schools has a responsibility to deduct income tax and NICs from the labour element of the invoices of any 'sub-contractor' employed in construction industry work who has been issued by the Inland Revenue with a CIS **Registration Card**. Only those in receipt of a valid CIS **Certificate** are allowed to receive payment without deduction of tax.
- 3.13.3 Schools are not individually-registered contractors under the CIS. Registration is held by LBH. Heavy penalties can be incurred by schools if full payment is made where a sub-contractor is not in possession of a valid card/certificate. Schools must pass all sub-contractor invoices to LBH for processing.

3.14 Processing Invoices and Vouchers for Construction Operations

- 3.14.1 The Council will verify the tax certificate status of the sub-contractor concerned and make appropriate tax deductions before paying the invoice. Your school's bank account will be charged with the payment.
- 3.14.2 LBH will pay over to the Inland Revenue any tax deducted from payments made to holders of Registration Cards CIS 4(P) or (T).
- 3.14.3 All invoices included within the Scope of Construction Operations (see **Appendix 3.3**) must be:
- date stamped on school receipt
 - authorised by the school budget holder
 - sent to LBH at the address below within 5 working days of receipt (unless the invoice is disputed):

The Accountant - Chief Executive's Resource Team,
Payments Office (Room 134),
Hackney Town Hall,
Mare Street,
London, E8 1EA.

- 3.14.4 Late payment charges or costs for raising emergency payments will be passed onto a school where that school is found to have caused the payment delay.
- 3.14.5 Sub-contractors must be promptly informed of disputed invoices. A dated brief note of the dispute should be attached to the invoice and sent with the invoice for payment once authorised.
- 3.14.6 For further CIS guidance, please contact LBH's Construction Industry Scheme Team (see **Section 1 – Key LBH Contacts** for contact details).

3.15 Receiving Goods and Services

- 3.15.1 When goods or services are received, the relevant copy order(s), whether computer generated or manual, must be marked off, initialled and the date of receipt noted. Any variations from the order must be noted on the copy order. This must not be carried out by the person who authorised the order.
- 3.15.2 Where goods are accompanied by a delivery note, the delivery note should be checked against the items received with any variations noted, dated and initialled before if necessary signing. The original delivery note should then be passed on

to the Finance Officer and a copy be given to the relevant Budget Holder to notify that the goods have arrived and for them to check if the items/quantities/qualities are correct.

- 3.15.3 The delivery notes form part of the audit trail and are usually found within an item's packaging. They should be attached to the associated copy order and retained.
- 3.15.4 Single items that are portable and valuable should be entered into the school's asset register.



See **Section 7 – Asset Management** later in this manual for further guidance on asset security.

3.16 Returning Goods

- 3.16.1 Where goods or services received are unsatisfactory or otherwise not in accordance with an order, the carrier/supplier should be notified promptly of the rejected items and why they have been rejected.
- 3.16.2 Any goods returned should be recorded clearly on the delivery note and copy order. In the event of an item being returned for which no order was raised, the school should maintain a separate record for financial control and audit trail purposes.

3.17 Payments & Invoices

- 3.17.1 Payment should be made within the agreed payment terms (usually 30 days) and only when a proper invoice has been received, checked, coded and certified for payment.
- 3.17.2 Under The Late Payment of Commercial Debt (Interest) Act 1998, businesses are able to claim interest on invoices that are paid late, at a rate of 8% above the base rate.
- 3.17.3 Late payment is defined as payment made after the last day of the credit period, if one has been arranged. Where there is no agreed credit period, the Act sets a default period 30 days, after which interest can run. The 30 day period starts from whichever is the later of :
- the delivery date of the goods or performance of the service; or
 - the day on which the purchaser has notice of the amount of debt.
- 3.17.4 Application for interest can be up to 6 years after the date on which the payment was due.
- 3.17.5 Any such charges will fall to schools for settlement. In order to minimise the risk of interest being charged, schools must:
- be aware of both existing and new suppliers' payment terms
 - have arrangements in place to ensure that invoices can be paid within the payment terms during schools holidays
 - have procedures in place to deal with faulty goods, including arrangements with suppliers that interest will not be charged on the cost of these goods and

that they (the supplier) are responsible for rectifying faults before any invoice is payable.

- 3.17.6 Invoices should be recorded on the school's accounting system and matched to orders raised on the system, before being passed to the relevant budget holder for authorisation.
- 3.17.7 Before passing an invoice for payment, documented checks should confirm:
- receipt of goods or services, cross-referenced and checked with the order
 - expenditure has been properly incurred and payment has not already been made
 - prices accord with quotations/tenders, contracts or catalogue prices, and the arithmetic is correct
 - correct accounting treatment of VAT
 - the invoice is correctly coded
 - discounts have, where appropriate, been applied.
- 3.17.8 It is strongly recommended that schools purchase a rubber stamp showing the above checks and enabling signatures to be recorded next to them, to show that the checks have been carried out. A sample stamp is shown below:

<Name of School>	
Goods Received (Initial & Date) _____	
Items Checked:.....Initial	
Quantity Checked:Initial	
Not previously paid:Initial	
Matched with order no:Initial	
Expenditure Code.....	
Certified for payment by:	
<i>Print Name</i>	
Signature.....	

- 3.17.9 Schools should not make payment on the basis of a photocopied invoice or a statement from a supplier. If an invoice goes missing, the school should request a certified copy from the supplier before processing it.
- 3.17.10 A member of staff approved by the governors (not the person who signed the order or checked the receipt) should certify invoices for payment.
- 3.17.11 The school should maintain a list of staff authorised to certify invoices for payment. A list of names and sample signatures of authorised signatories must be held by the school.
- 3.17.12 Where an authorised officer certifies an invoice for payment they must not sign the cheque for its payment.

- 3.17.13 All cheque payments require any two of the authorised bank signatories. Invoices must be shown to the signatories at the stage when the cheque is to be signed.
- 3.17.14 Once the cheque has been signed and issued, mark 'paid' against the appropriate item(s) on the school's copy order.
- 3.17.15 All invoices must show the name of the cost centre incurring the expenditure and the Expense code.
- 3.17.16 Once paid, all invoices should be:
- easily identifiable as paid
 - dated
 - stored securely.
- 3.17.17 Schools are required to retain invoices for six years from the date of payment, for audit purposes.
- 3.17.18 Invoices for the supply of gas, water and electricity must be checked as follows:
- The latest meter readings on the invoice should be verified and entered in a register.
 - The previous meter reading on the invoice should be checked against the corresponding entry in the register.
 - The consumption (i.e. number of units used in the period) should be checked for reasonableness.
 - Invoices should be checked for compliance with agreed contract prices of tariffs.

3.18 Pre-payments

- 3.18.1 Where a supplier will only provide goods or services if payment is made at the time of the order or in advance of receipt of the goods or services, the arrangement must be approved by the appropriate authorised signatory.
- 3.18.2 A VAT invoice must be received to facilitate the reimbursement of VAT.

3.19 Supplier Queries

- 3.19.1 Claims for non-payment: if a supplier states that payment has not been made against an invoice that your records show has been paid, the supplier should initially be asked to check their records. Give the supplier details of your cheque number and the date it was sent.
- 3.19.2 If the supplier continues to claim non-receipt of payment, check your bank statement to see whether the cheque has been cashed.
- If the cheque has not been cashed, contact the bank and have it stopped. Once confirmation has been received from the bank that the original cheque has been cancelled, issue a replacement cheque. Inform the supplier of the steps you have taken. For financial control and audit trail purposes, retain with the invoice evidence of the original cheque having been cancelled, together with details of the replacement cheque.

- If the cheque has already been cashed, seek guidance from the bank on how to proceed.

3.19.3 Copy Invoices: copy invoices should only be requested if the original has gone astray. Upon receipt of a copy invoice, check the school's computerised financial accounting system and copy order records to ensure that payment has not been made. Only when these checks have been carried out should arrangements be made to authorise and pay the invoice in the normal manner.

3.20 Credit Notes

3.20.1 Where an invoice is incorrect or an order was fulfilled incorrectly, request a credit note and hold the invoice until this has been received. The invoice and credit note should then be processed together.

3.20.2 Where a credit note has been received with no invoice attached, either hold the note until the next invoice is received and process it against that, or ask the supplier to provide a cheque to clear the credit.

3.21 Further Information on Procurement

3.21.1 For more detail on how to manage effective procurement, refer to ineed! Lite, The Learning Trust's procurement guide for schools. In addition, schools are welcome to contact the Learning Trust's Supplier Relations Department for support.



Appendix 3.1: Sample Local Purchase Request Form

(SCHOOL NAME)

STAFF TO COMPLETE:

Cost Centre
 Name
 Tel Ext

FINANCE TO COMPLETE:

Voucher No
 Order No
 Budget Exp Code

STAFF TO COMPLETE:

Description	Quantity	Total

AUTHORISING OFFICERS TO COMPLETE:

Signed Cost Centre Manager

Signed (Bursar, Finance Officer, SAO as appropriate):.....

Does order value require Headteacher and/or Governor approval? **YES/NO**

If **YES**, record Headteacher signature or Committee Minute Reference:

Signature/Ref:..... Date:

STAFF TO COMPLETE:

I require cheque/cash reimbursement. (Delete as appropriate) If a cheque is required, please print name of payee.

Payee:

Please append a business case and/or details of quotes received for this purchase



Appendix 3.2: Sample Supplies & Services Request Form

(SCHOOL NAME)

Supplier Name.....

Address.....

.....

Telephone No..... Fax No.....

STAFF TO COMPLETE:

Cost Centre Budget Holder

Exp Code	Item Code	Description	Price	Quantity	Total
Grand Total:					

Signed by Cost Centre Manager

Date

Signed by SAO

Date

Order No.....

Appendix 3.3 - Scope of Construction Operations

This list provides some guidance on which types of construction work are within the Constructions Industry Scheme (CIS) and which are not. If a contract includes some work within and some outside the Scheme, all payments made under that contract will be caught by the Scheme.

The list is not exhaustive - if you are unsure whether work is within the scope of the legislation, please obtain further advice from **LBH's CIS Team** (see the LBH Contact List in the Introduction to this manual).

Operations Included in CIS	Operations Excluded
PLANNING - None	
<p>SITE PREPARATION</p> <p>Demolition of e.g. buildings, structures. Tree felling. Preparation of site and site clearance, earth-moving on site, excavation, tunnelling and boring.</p>	<p>Delivery of materials. Transport of spoil from site.</p>
<p>CONSTRUCTION</p> <p>Preparing and laying foundations and piling. Actual construction, alteration or repair of a permanent or temporary building or civil, chemical or other industrial engineering work or industrial plant or structure forming part of the land, e.g. storage tanks, silos. pylons, cranes or derricks, pumps Installation of fire protection systems designed specifically to protect the fabric of the building (e.g. sprinkler systems, fire-proof cladding) rather than a fire warning alarm system. Installation of pre-fabricated components or equipment under supply and fit arrangements. Installation of power lines, pipelines, gas mains, sewers, drainage, cable TV and telecommunications distribution systems. Installation of public services. Installation of closed-circuit TV for purposes other than security (such as traffic management). Transport of materials on site.</p>	<p>Manufacture or off-site fabrication of components or equipment. materials, plant or machinery and delivery of these to the site e.g. traditional building materials prefabricated beams and panels ready mixed concrete. Installation of fire alarms, security systems, including burglar alarms, closed- circuit TV as part of a security system and public address systems. Installation or replacement of telecommunications or computer wiring through pre-existing ducting in buildings. Transport of materials from site to site on the public highway. Transport of materials from site to site on the public highway.</p>

<p>CONSTRUCTION OF SITE FACILITIES</p> <p>Construction, repair and resurfacing of roads and bridges, including white-lining.</p> <p>Provision of temporary and permanent roadways and other access works such as drives.</p> <p>Erection or dismantling of scaffolding, falsework and formwork.</p> <p>Plant hire with operator for use on site.</p> <p>Internal cleaning of buildings and structures carried out in the course of, or on completion of, their construction, alteration, extension, repair or restoration.</p> <p>Work done on *installations (such as rigs, pipelines, construction platforms) maintained or intended to be established for under-water exploration for, or exploitation of, minerals where the work is on land or in UK waters (up to the 12 mile limit).</p> <p>Installation of heating, lighting, air conditioning, ventilation, power supply systems and distribution, drainage, sanitation, water supply and distribution and fire protection works.</p> <p>Installation of lifts, plant or machinery needed by the specification of a building under construction or alteration.**</p> <p>Installation and repair of industrial plant.</p>	<p>Manufacture and delivery of pre-fabricated site facilities.</p> <p>Delivery of road making materials.</p> <p>Scaffolding/equipment hire (without labour).</p> <p>Delivery, repair or maintenance of construction plant or hire equipment without an operator, e.g. concrete mixers, pumps and skips.</p> <p>External cleaning (other than painting or decorating) of buildings and structures.</p> <p>Manufacture, delivery, repair or maintenance of these* items.</p> <p>Assembly of temporary stages and exhibition stands, including lighting.</p> <p>Running of site facilities such as canteens, hostels, offices, toilets, and medical centres.</p> <p>Drilling for or extraction of oil or gas.</p> <p>Extraction of minerals, boring or construction of underground works for this purpose.</p> <p>Servicing, repair or maintenance of these** items.</p>
<p>FINISHING OPERATIONS</p> <p>Site restoration and landscaping.</p> <p>Installation, structural repair and painting of lamp standards, traffic lights, parking meters and street furniture</p> <p>Constructing concrete and marble floors, fitting flooring (including linoleum but not carpets) where required by the specification of a building under construction, alteration or repair.</p> <p>Fitting mesh to buildings for protection from damage by pigeons.</p> <p>Fitting eye bolts, whether internal or external.</p> <p>Installing double glazing, computer and instrumentation systems, thermal insulation materials, heating and ventilation systems, doors and rolling</p>	<p>Tree planting and felling in the ordinary course of forestry-y or estate management.</p> <p>Manufacture and delivery of lamp standards. Routine maintenance, such as cleaning and general replacement.</p> <p>Manufacture off-site and delivery of flooring materials.</p> <p>Manufacture and delivery of glazing materials, computer and instrumentation systems. thermal</p>

<p>grills, including the work of locksmiths, kitchens and bathrooms, shop fittings, including refrigeration units and fixed furniture (except seating).</p> <p>Painting and decorating the internal or external surfaces of any building or structure.</p>	<p>insulation materials, heating and ventilation systems, doors and grills painting and decorating materials.</p> <p>Manufacture, delivery and installation of seating, blinds and shutters.</p> <p>Manufacture, installation and repair of artistic works, e.g. sculptures and murals, which are wholly decorative in nature.</p> <p>Manufacture and installation of solar, blackout, or anti-shatter film.</p> <p>Sign-writing and erecting, installing and repairing sign boards and advertisements.</p>
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INCOME & COLLECTION

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4 INCOME & COLLECTION

4.1 General

4.1.1 Income may be generated subject to the provisions of the Education Act 1996.

4.1.2 Schools typically generate income from a variety of sources. For example:

- School dinner sales
- Bank account interest
- School trip contributions
- Lettings
- Fund raising activities
- Sale of assets.

4.1.3 Schools retain all income they generate unless it relates to:

- the sale of certain assets (such as land and buildings owned by the LEA, or assets funded by bodies who may impose conditions, e.g. charitable concerns, lottery funding); or
- income from a Public/Private Partnership (PPP) or Private Finance Initiative (PFI), which are subject to a specific agreement.

4.1.4 Schools should maintain a brief summary of the administrative procedures and routines in place to effect the authorisation and generation of invoices and collection of income. This summary should form part of the school's documentation for audit inspections.

4.1.5 The summary should cover the following:

- procedures for authorisation and generation of a sales invoice/credit note
- credit control and debt recovery procedures
- entry of income on the school's accounting records.

4.2 Charging Policy


4.2.1 Each school must have a written Charging Policy Statement. The Statement must take into account each type of activity charged for (including Lettings) and provide an explanation of the charges made.

4.2.2 Schools must present the Statement annually to Governors for approval. It is recommended that the charging policy be submitted for Governor approval, with the original school budget plan and best value statement, at the beginning of each summer term.

4.3 Hiring Premises

4.3.1 The Learning Trust's shared use of school premises guidance document for schools is available] on request from the Schools Support Finance Assistant (See **Section 1 – Key Learning Trust Contacts** for contact details.)

4.4 Raising Invoices

- 4.4.1 The school should set up its own invoicing procedures, taking into account the following.
- 4.4.2 Invoices should be issued where income is not collected in advance of goods or service delivery.
- 4.4.3 Schools must ensure that there is segregation of duties between staff responsible for issuing (or amending) invoices and those responsible for the subsequent income collection and input to the financial system.
- 4.4.4 All invoices sent out by schools must be sequentially numbered. They should also include the following details:
- Invoice number
 - Date of issue
 - School name and address
 - For VAT purposes, quote '*London Borough of Hackney Council*', together with the Council's VAT registration number: **220 5529 95**
-  For VAT purposes, schools fall under the Council's VAT registration. See *Section 12 – VAT* for detailed guidance on VAT.
- Name and address of customer (debtor)
 - Details of goods/services being supplied, so that it is clear to both parties what is being paid for
 - The amount due, including gross, net and, where applicable, VAT amounts charged for goods/services supplied
 - The settlement period (i.e. when payment is required by). This should normally be 30 days
 - A contact name and telephone number, so that customers can contact the school to resolve any queries
 - Details of how to pay the invoice (e.g. cheque or BACS). If BACS is required, the invoice should include bank details.
- 4.4.5 It is important that original invoices and documents are logically filed and can be easily cross-referenced to the school's accounting system records.

4.5 Amending Invoices

- 4.5.1 Any spoiled invoices must be marked as 'Spoiled' and retained for audit/VAT purposes.
- 4.5.2 Amendments should be authorised by an appropriate school officer and implemented by raising a credit note and, if necessary, creating a new invoice.
- 4.5.3 Amendments should be recorded on the accounting system as a credit and, where relevant, a new invoice generated. The original transaction should not be changed.
- 4.5.4 Where a school's accounting system cannot record invoices raised and credit notes issued, a manual record must be maintained. This must record all invoices raised, payments received and credit notes issued.

4.6 Collection Administration

- 4.6.1 Schools should ensure that, wherever possible, income due to the school bank account is collected at the time of supply, in cash or by cheque. In cases where payment cannot be collected, e.g. where income is due from remote bodies, schools must maintain their own debtors' accounts. See 'Raising Invoices' (above) for guidance.
- 4.6.2 Schools must record income on the schools' financial system as soon as possible after it is received.
- 4.6.3 Income must be coded to an income code, even if it is planned to offset specific expenditure items
- 4.6.4 Segregation of duties must be applied to invoicing and income receipts.

4.7 Collecting Cash

- 4.7.1 Collecting cash, although sometimes necessary, carries higher risk and should thus be handled with care. Schools should adhere to the following guidelines:
- Never take cash home
 - Never ask or encourage payers to send cash through the post
 - Hold cash in a secure place before it is banked, bearing in mind the cash holding limits of the school's insurance policy
 - Bank cash on a regular basis.
- 4.7.2 If cash holdings are likely to be substantial, schools must ensure they have adequate insurance cover.

4.8 Collecting Cheques

- 4.8.1 Keep a record showing, for each cheque, the name of the payer, the nature of the income, and the amount.
- 4.8.2 The most significant risk related to cheque payments is that cheques can be dishonoured or may bounce. If possible, ensure that cheques clear before providing goods/services.
- 4.8.3 Take all practical precautions to prevent cheques from bouncing. For example:
- Ensure that the information on the cheque is correct, i.e. that the words and figures agree, the signature is valid, the cheque is for the correct amount and that the correct date is recorded.
 - Make the cheque easier to trace if it bounces by writing on the back of the cheque: the invoice number, receipt number, name of child (if applicable) and the bank account number into which it will be paid.
 - Ask for a cheque guarantee card when receiving cheques from members of the public, as guaranteed cheques do not bounce provided the value of the cheque does not exceed the limit on the card.
 - Only accept one cheque per transaction, as a guarantee card only guarantees one cheque.
 - Write the card number and expiry date on the back of the cheque when asking for a cheque guarantee card. (Note that if the person who wrote the

cheque writes these details on the back they could, if so inclined, stop the cheque.)

- Do not accept cheques without a guarantee card from a customer whose payments have bounced in the past.
- Never accept post-dated cheques.

4.9 Authorising and Issuing Income Receipts

4.9.1 All cash transactions should be properly documented and receipted, including transfers between members of staff.

4.9.2 Receipts should only be issued by those authorised to do so. When not in use, receipt books should be securely held.

4.9.3 Receipts should be sequentially numbered and contain the following information:

- school's name
- amount received (Gross, Net and, where applicable, VAT)
- description of the income
- unique reference number
- school's VAT registration number (i.e. LBH's VAT number: **220 5529 95**)

4.9.4 Keep copies of all receipts.

4.10 Banking Collected Income

4.10.1 Income should be banked as soon as possible after it has been received, to reduce the risk of theft.

4.10.2 Pay cash income into your bank account intact, i.e. do not hold back money for petty cash or other expenses.

4.10.3 Use only pre-printed paying-in books obtained from the bank for banking income. Pre-printed paying-in books hold all school bank details, thus ensuring that money is paid into the correct account. Do not use loose paying-in slips.

4.10.4 Ensure secure arrangements are in place for taking cash to the bank. If necessary, consider using security services.

4.10.5 For security reasons, schools need to record all income and deposits at the bank. For cheques, this includes recording all details of the cheque itself, such as the cheque number, the amount, the drawer etc.

4.10.6 Income records must then be reconciled with the bank deposit records on a regular basis. Any discrepancies should be recorded and immediately investigated.

4.11 Debt Management

4.11.1 The Governing Body must have a policy for the collection of any monies due to the school.

4.11.2 Debt collection is the responsibility of schools, and all schools must have a debt collection policy. This should include:

- the normal settlement period and how it is communicated

- the actions to be taken, and by whom, to chase unpaid amounts due once the settlement period has passed
 - other actions to be taken, e.g. removing credit facilities or the use of facilities whilst debts remain unpaid
 - whether an individual or body (e.g. Finance Sub-Committee) is granted delegated authority to exercise discretion on specific debts, and what the limits of the discretion are.
 - a process of debt write off (see *Section 4.11* below).
- 4.11.3 Schools should implement debt collection processes as soon as the settlement period given on an invoice has passed. For example, a reminder system with a suitable set of letters (see the sample debt recovery letters in Appendix 4.1 and 4.2).
- 4.11.4 Schools should operate a debtors' control account in order to record all accounts issued and monies received.
- 4.11.5 Debtors' accounts must include details of the methods and place of payment available, namely:
- At the school in the form of cash, cheque or postal order.
 - By return of post by cheque or postal order.
- 4.11.6 Schools should regularly review outstanding debts and ensure that debt recovery is being actively pursued.
- 4.11.7 If an account remains unpaid after a reminder has been issued, further action may be required, depending on whether the debt originates from an internal or external source. If the debt is from an internal source, say between schools within the LEA or within the LEA itself, legal proceedings will not be instigated; instead, schools must inform the Schools Support (Finance) Team at The Learning Trust of the outstanding debt so that they may resolve the issue on the school's behalf. If the debt is from an external source, it may be pursued by taking legal action if sufficient reminders have not resulted in payment. In such cases, schools should seek legal advice, at the school's cost, on how to proceed.
- 4.12 Debt Write Off**
- 4.12.1 When assessing whether a debt can be written off, schools must first consider the following:
- Have all reasonable steps been taken to collect the debt?
 - What is the prospect of receiving the income without significant investment in time or resources?
 - What is the cost to the school (e.g. in pursuing recovery)?
- 4.12.2 Where the Headteacher proposes to write off a debt they must seek Governing Body approval unless authority to write off debts has been delegated and minuted by the Governing Body. Where delegation is in place, debts written off should be reported for information to the Governing Body.
- 4.12.3 The Headteacher's authority to write off debts should not exceed to £500 (secondary) and £250 (other).

- 4.12.4 Where debts exceed £5,000, schools must first obtain the approval of the Assistant Director of Finance at The Learning Trust and then the Governing Body/Finance Committee, to write the debt off.

4.13 Voluntary Funds

- 4.13.1 The following guidance deals with private funds held by the school. Other funds held by bodies who may be closely associated to the school but not part of the school, such as Parent Teacher Associations, are excluded from this guidance and should be held completely separately from any school funds.
- 4.13.2 Voluntary fund income must be paid into a separate voluntary fund bank account. It may be transferred into the school's disbursement bank account as a donation if appropriate, but must not be paid directly into the school's disbursement bank account.
- 4.13.3 Private school funds must be held separately from other Council funds. Income received for the private school fund must not be paid directly into the school's disbursement account.



See **Section 6 – Audit & Financial Reporting** later in this Manual for further guidance on Voluntary Funds.



Appendix 4.1 – Debt Recovery Reminder Letter

NAME

ADDRESS
.....
.....
.....
.....

Our ref:
Enquiries to:
Date:

Dear Sirs

ACCOUNT NUMBER AMOUNT DATE
<Subject, e.g. EXAMINATION FEES>

The above account has not been paid up to <date>. Unless it has been paid since that date, I must ask you to send full payment without further delay.

Yours faithfully

Headteacher



Appendix 4.2 – Debt Recovery – Final Notice

NAME

ADDRESS
.....
.....
.....
.....

Our ref:
Enquiries to:
Date:

Dear Sirs

ACCOUNT NUMBER AMOUNT DATE
<Subject e.g. EXAMINATION FEES>

According to my records the above account was still outstanding at <date>. If payment has since been made, please ignore this letter.

Unless it is paid in full on or before <date>, the School will commence legal proceedings in the County Court for recovery of the amount due without further notice being given to you. Cheques or Postal Orders must be made payable to London Borough of Hackney Council School, and sent to the above address, quoting your customer account number.

If you delay payment until proceedings against you have been commenced, you may become liable for the court costs and fees in addition to the amount shown above. If you have any queries concerning this account please contact the school immediately.

Yours faithfully

Headteacher

PETTY CASH

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5 PETTY CASH

5.1 Purpose and Use

- 5.1.1 The purpose of petty cash is to enable teachers and other members of staff to pay cash for minor expenditure relating to curriculum purchases, travel and other ad-hoc payments relating to classroom/school expenditure.
- 5.1.2 It is designed for small, urgent incidental expenses where it is unfeasible or impractical to use normal purchasing means, not as a method to bypass the School's Accounts payable or purchasing systems.
- 5.1.3 Schools should keep petty cash use to an absolute minimum.

5.2 General Guidelines

- 5.2.1 The Governing Body must agree an appropriate level of cash to be held on a school's premises. The level should be based on the amount likely to be required in a set period and give consideration to the administration of replenishing the float.
- 5.2.2 Adequate insurance cover must be in place to cover cash held in the school at any time. This includes income, as well as petty cash.
- 5.2.3 The Headteacher is responsible for nominating a float-holder and deputising officer for managing petty cash. The Headteacher is also responsible for informing the School's Management Team of any changes to the float-holders. The deputising officer will cover the duties of the float-holder during holidays or sickness etc. and can also present or collect the float reimbursement at any time.
- 5.2.4 A petty cash float is advanced to a nominated float-holder, who is responsible for ensuring that these procedures are followed:
- The petty cash float does not exceed the value approved by the Governors.
 - The petty cash float must be kept in a secure location where the room can be locked. The float should be kept in a safe or a lockable cupboard.
 - Arrangements for access to the money should be set down in the scheme of delegation, and should ensure that adequate segregation of duties exists.
 - The school's insurance policy must cover the level of cash that can be held on site. If the policy stipulates any conditions for holding cash, such as being kept in an adequate safe for the purpose, these conditions should be adhered to.
- 5.2.5 The following general restrictions apply to the use of the petty cash float:
- Petty cash must not be used to cash personal cheques
 - Salaries and wages must not be paid through petty cash
 - Petty cash must be replenished through the correct bank account and not through income collected at the school. All cash and cheques received on behalf of the school must be banked intact.

- 5.2.6 Petty cash is to be used only for reimbursing small amounts of necessary expenditure, up to a specified maximum amount. (As a guideline, reimbursements of under £25 to be paid in cash and reimbursements of over £25 by cheque). The School's Governing Body has the authority to change the limit for petty cash claims.
- 5.2.7 All payments from petty cash must be supported by invoices or receipts. If VAT is being paid, the vouchers must meet the VAT requirements. If they do not, the VAT cannot be reclaimed, so the whole amount should be charged to the school.
- 5.2.8 As a general rule, if a receipt is not available, a signed explanatory voucher must be completed, agreed and countersigned by the Headteacher, before any reimbursement can be made.
- 5.2.9 The claimant should complete a petty cash reimbursement form, attaching the receipts and obtaining the approval of an Authorised Signatory. The claim should be reimbursed by the float-holder only after it has been approved.
- 5.2.10 The float holder must ensure that records are kept to show the nature of the expenditure.



See **Appendix 5.1** for a sample Petty Cash Reimbursement Form. Electronic version of the form is also held online at:

www.learningtrust.co.uk/schools/finance/docs/schools-manual

- 5.2.11 The total of cash remaining (plus receipts and/or vouchers for reimbursements) must be equal to the total float at all times. Any discrepancies should be investigated and corrected. If this is not possible, the Headteacher needs to be informed in writing.
- 5.2.12 The Headteacher is responsible for ensuring that the float is checked regularly and that such checks are documented.



See **Appendix 5.2** for a sample Petty Cash Reconciliation Form. Electronic version of the form is also held online at:

www.learningtrust.co.uk/schools/finance/docs/schools-manual

- 5.2.13 When replenishing the float, the amount requested must equal the total of the receipts and should bring the float back to its full total.
- 5.2.14 Petty cash floats must be monitored and replenished regularly, to maintain the level of the float that the School requires.
- 5.2.15 All petty cash float reimbursements must be reconciled before the float can be replenished. Supporting documents, with claim forms and receipts, must be attached to the control sheet and filed.



See **Appendix 5.3** for a sample Petty Cash Control Sheet. Electronic version of the Control Sheet is available online at:

www.learningtrust.co.uk/schools/finance/docs/schools-manual

- 5.2.16 It is the duty of the float-holder or deputising officer to present and collect the reimbursement. The float reimbursement will be issued only to one of the named individuals. A letter of authorisation should be given to the member of staff presenting the reimbursement cheque at the bank which should be signed by an authorised signatory, as per the school's bank mandate.



See **Appendix 5.4** for a sample Petty Cash Bank Letter.

Appendix 5.2 - Sample Petty Cash Reconciliation Sheet

Petty Cash Reconciliation Sheet

School Name: _____ Date: ____ / ____ / ____

Notes	Quantity	Value (£)
£50.00		
£20.00		
£10.00		
£5.00		
Coins		
£2.00		
£1.00		
50p		
20p		
10p		
5p		
2p		
1p		
Total Cash		
Total Vouchers (list overleaf)		
Total Cheques (list overleaf)		
TOTAL IMPREST		
Petty Cash Float		
Difference		

Information Notes:

Counted by: _____ (Print Name)

Signature: _____

Witnessed by: _____ (Print Name)

Signature: _____

Appendix 5.3 - Sample Petty Cash Control Sheet

PETTY CASH CONTROL SHEET								
FOR:								
Update white cells only				Agreed Float:				
				B/fwd balance:				
				Cheque cashed:				
				C/fwd balance:				
				Amount claimed:				
Date	Voucher no.	School Budget	CFR Code	Cash Paid Out	Cash Received	Vatable? Y/N	Net	VAT
1								
2								
3								
4								
5								
6								
7								
8								
17								
19								
20								
<p>I certify that the petty cash has been balanced and checked and request a cheque to the value of £0</p> <p>_____</p> <p style="display: flex; justify-content: space-between;">Custodian Dated</p>								
Notes:					Cheque Number:			

Appendix 5.4 - Sample Petty Cash Bank Letter

<Date>

Bank
Branch
Address
Address
Postcode

Dear Sir/Madam

RE: CASH CHEQUES

I would like to inform you that _____ is authorised to cash Cheque number: _____ for the sum total of £_____ on behalf of <School Name>.

Should you have any queries regarding this then please contact: <Headteacher's name> on 020 xxxx xxxx.

Many Thanks

A N Other
Headteacher

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6 AUDIT & FINANCIAL REPORTING

6.1 Financial Reporting for Schools

6.1.1 Schools must regularly report their financial positions to Governors and The Learning Trust.

6.1.2 It is also strongly recommended that schools produce regular financial reports for school budget holders to facilitate effective financial management and control.

6.2 Budget Plans

6.2.1 Each school must submit a formal budget plan to The Learning Trust by 1st May each year. The plan must be balanced (or show a surplus) and include the expected closing balance from the preceding financial year. However, it is strongly recommended that schools produce their budget plans before the start of each financial year.

6.2.2 The Trust will send a budget guidance note (including the required format for the plan) to schools in March each year.

6.2.3 In line with recognised good financial management practice, schools are expected to present Governors with budgets not just for the new financial year, but for future years as well. Software to facilitate schools' multi-year budgeting is available from the Schools Support Team at The Learning Trust.

6.2.4 When presenting the forthcoming financial year budget for approval, schools should ask Governors to note future year budgets. Both actions should be minuted.

6.3 Financial Reporting to The Learning Trust

6.3.1 Schools are required to submit financial reports to The Learning Trust within 15 days of each month end, except at the financial year end. These reports are used by The Trust to assess the school's financial position, reimburse VAT and to verify that a key financial control, the school's bank reconciliation, is satisfactory.

6.3.2 Special arrangements are put into place each year end (31st March) to comply with external financial reporting legislation. The Learning Trust will issue year end guidance to schools each year, setting out the arrangements.

6.3.3 All returns must be signed by the Headteacher.

6.4 Checklist of Information Required by The Learning Trust from Schools

6.4.1 Schools using the FMS (SIMS) accounting system are required to produce the following reports each month:

- Bank reconciliation reports:
 - Bank reconciliation
 - Bank reconciliation – un-reconciled Items
 - A copy of your bank statement showing the month end balance.
- VAT reimbursement claim:
 - VAT Submittal.

- Budget monitoring:
 - User Defined Report
 - Summary Trial Balance by ledger code.

6.4.2 Schools using the RM (KEYS) accounting system are required to produce the following reports each month:

- Bank reconciliation reports:
 - Bank / Petty Cash Balances
 - Un-reconciled transactions
 - A copy of your bank statement showing the month end balance.
- VAT reimbursement claim:
 - VAT Reimbursement (EXP)
 - VAT Reimbursement (INC).
- Budget monitoring:
 - Governor's Report
 - Budget vs Actual vs Committed (Financial Return)
 - Analysis Listing Report.



The Trust has produced the following guidance documents for schools: *RM Guidance Notes* and *SIMS Guidance Notes*. These documents are available on request from the Schools Support Finance Assistant. Please refer to **Section 1 – Key Learning Trust Contacts** for contact details.

6.4.3 Schools must return their monthly reports, signed by the Headteacher, to the Schools Support (Finance) Team at The Learning Trust by 15th of the following month. Schools should retain a signed copy for their own records and audit requirements.

6.5 Financial Reporting to Governors

6.5.1 Schools should provide financial monitoring reports to Governors at least termly. The information reported should include:

- current budget
- spend-to-date
- a comparison of spend against budget
- a commentary (written or verbal) explaining variances and seeking approval to make budget changes, as appropriate. Any verbal commentary should be minuted.

6.5.2 Schools should also consider providing a forecast of the year end position and last year's outturn, for comparison.

6.6 Bank Reconciliation

6.6.1 A Bank Reconciliation is the reconciliation of the school's accounting system to the school's bank transactions. It is a key financial control.

6.6.2 Schools must ensure that the bank reconciliation is performed at least monthly, and a document demonstrating this reconciliation forwarded to the Schools

Support (Finance) Team at The Learning Trust by the 15th of the following month.

- 6.6.3 Schools must submit to the Trust a bank reconciliation statement signed by the Headteacher each month.
- 6.6.4 The bank reconciliation statement comprises three documents:
- bank statement for the period concerned
 - reconciled items list or balance
 - un-reconciled items list.
- 6.6.5 Both the reconciled items list or balance document and the un-reconciled items list must be taken directly from your school's accounting system. Manually produced reconciliations are not acceptable.
- 6.6.6 There will be certain year-end procedures which schools will need to undertake to ensure that the school accounts conform to the Council's accounting practices. The Assistant Director of Finance at The Learning Trust will issue annual notes of guidance to cover these procedures.
- 6.6.7 Schools should ensure that all bank accounts (e.g. school funds) are reconciled at least monthly.

6.7 Reconciled Items

- 6.7.1 The reconciled items listing (or balance) must report the items on your accounting system that have been reconciled to the transactions on your bank statement. Therefore, the closing balance on this document must exactly match the closing balance on the bank statement for the relevant period.

6.8 Un-reconciled Items

- 6.8.1 The un-reconciled items listing should detail all items that have been sent to be banked (e.g. cash or cheques being paid in) or cheque payments issued but not yet cashed.
- 6.8.2 Income due to but not yet received by the school must be excluded from the un-reconciled items listing.
- 6.8.3 Items more than 6 months old should be reviewed by schools. Schools should consider cancelling associated cheques with the bank and, if appropriate, issuing a replacement cheque.
- 6.8.4 Records of cancelled cheques must be held by the school for audit purposes.

6.9 Completing a Bank Reconciliation

- 6.9.1 Each month, compare the bank statement to the accounting system's cash book and match the corresponding entries. Items matched should be marked as reconciled on the accounting system and ticked on the bank statement to indicate they have been matched.
- 6.9.2 Enter into the cash book any items that are in the bank statement but not in the cash book. There may, however, still be entries in the cash book that are not ticked, e.g. cheques paid that have not been cleared by the bank.

6.9.3 Produce system reconciled items and unreconciled items reports from your accounting system.



See either the *SIMS* or *KEYS Guidance Notes* on how to produce the month end financial reports. The Guidance Notes are held on The Learning Trust website at:

www.learningtrust.co.uk/schools/finance/docs/schools-manual

6.10 Capital Expenditure

6.10.1 To qualify as a capital expenditure, an expenditure must:

- meet the capital criteria as defined in the Consistent Financial Reporting guidance issued by the DfES in the '*School Finance Pack*'.
- comply with the following definition, drawn from the Chartered Institute of Public Finance and Accountancy (CIPFA), who define capital expenditure as:
 - the acquisition, construction, preparation, enhancement or laying out of land
 - the acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures
 - the acquisition, installation or replacement of moveable or immovable plant, machinery, apparatus, vehicles and vessels
- be above a predetermined minimum value (known as the de minimis level) - currently £10,000 for schools.

6.10.2 In addition to all the above criteria, the expenditure must also result in one of the following:

- the substantial lengthening of the useful life of a building/asset
- a substantial increase in the open market value of a building/asset
- a substantial increase in the extent to which a building/asset can be used.

6.10.3 Where the above criteria are not met, the costs should be recorded as revenue.

6.11 Capital Funding Restrictions

6.11.1 Capital funding clauses can restrict the type of costs that can be charged against capital funding streams. Schools should satisfy themselves that they have appropriate capital funding (with contributions from their revenue funds if necessary) to meet capital costs, before entering into commitments.

6.12 Whistle Blowing

6.12.1 Schools must have a clear policy in place for dealing confidentially with aggregations of malpractice. Where an established policy does not exist, the protection afforded by the *Public Interest Disclosure Act 1998* makes it unlikely that employers will be successful if they take action against those who publicly 'blow the whistle'.

6.12.2 A whistle blowing policy should establish the basis on which staff can properly raise concerns without prejudice to their personal position. This policy should cover:

- respect for staff confidentiality
- opportunity to raise concerns outside the management line structure
- a proper way of raising concerns outside of the organisation, if necessary.



See **Appendix 6.1** for a sample whistle blowing policy that schools may wish to adopt. See **Section 1 – Key LBH Contacts** for the Whistle Blowing Hotline phone number.

6.13 Reporting Fraud

- 6.13.1 Fraud deprives schools of resources that should be spent on children's education. If fraud is discovered it should be reported to the Headteacher. The Headteacher should in turn ensure that the fraud is reported to LBH Internal Audit Section.
- 6.13.2 If it is felt inappropriate to report the fraud to the Headteacher, it can be reported through the 'whistle blowing' arrangements (see the section on Whistle Blowing, above).
- 6.13.3 Fraud covers a wide range of activities. For example:
- a supplier billing for goods or services not provided
 - a member of staff lying on an application form
 - contracts being awarded to friends or relatives
 - a member of staff claiming for expenses not incurred by them
 - an unauthorised person trying to use a school cheque book
 - a facilities manager not passing lettings income onto the school.
- 6.13.4 Internal audit will advise on how to take the case forward. They will not necessarily investigate a case on the school's behalf. All suspected frauds, including unsuccessful attempts, should be reported promptly.



To report suspected fraud, please contact either the Fraud Investigation Manager, or the Whistle Blowing Hotline. See **Section 1 – Key LBH Contacts** for contact details.

6.14 External Audit

- 6.14.1 External auditors are appointed by the Audit Commission to audit LBH'S Annual Statement of Accounts. Since school accounts form part of LBH's Annual Statement, this external audit scrutiny includes school accounts.
- 6.14.2 Schools are required, in accordance with the Scheme for Financing Schools, to give both internal and external audit access to the school's records at all reasonable times.



Audit of voluntary and private funds is covered in **Section 12 – Voluntary Funds**.

6.15 Internal Audit

- 6.15.1 Under the Accounts and Audit Regulations 1996, LBH's Finance Director maintains an internal audit function. In accordance with the Scheme for

Financing Schools, they carry out regular compliance audits of all schools to ensure that adequate systems of control are in place and are being adhered to.

- 6.15.2 In carrying out his statutory duties regarding the proper stewardship of the Council's finances, the Council's Director of Finance or nominated representative has a right of access to any information held in schools, including originals invoices, bank statements and cheque books.
- 6.15.3 Audit will assess the compliance with procedures on the secure and efficient operation of bank accounts, provide advice on accounting records and procedures, and review systems to assist in preventing and detecting fraud or irregularities.
- 6.15.4 The Governing Body should view an audit as a tool to help them improve the financial controls of the school. The audit report produced at the end of the audit will provide an evaluation of the current controls and, possibly, a list of improvements that should be implemented. It will categorise the potential risks related to any weaknesses identified.
- 6.15.5 A follow up audit will be arranged. This will look specifically at the recommendations of the original audit and how they are being implemented.



Please refer to the *Schools Audit in Hackney* guidance document for further information regarding the internal audit arrangements for schools. This document is available on request from LBH's Internal Audit section. Please refer to **Section 1 – Key LBH Contacts** for contact details.

6.16 Retention and Disposal of Documents

- 6.16.1 Confidential waste must be disposed of by shredding.
- 6.16.2 Cheque stubs should be retained and matched with any returned cheques requested from your bank, and with any cancelled cheques.
- 6.16.3 It is suggested that schools make arrangements for all cheques not returned to the school to be retained by their bank, who will normally keep them for six years.
- 6.16.4 Cancelled cheques should be retained, clearly marked 'CANCELLED'.
- 6.16.5 Copy orders should be kept in a file in numerical order, with the delivery notes attached. When payments are made, the relevant copy orders should be clearly marked off as paid by detailing the cheque number, payment date and amount paid.
- 6.16.6 Original purchase invoices are subject to Customs and Excise inspection. They must therefore be filed in batches and cross-referenced to computer records.
- 6.16.7 School filing and storage arrangements must facilitate the means to trace payments from cheque number to the order and invoice, and from the monthly VAT and bank reconciliation statements sent to The Learning Trust back through the school's records, to the individual invoice.
- 6.16.8 **Document Retention Schedule:** Schools must adhere to the following document retention schedule. Retention periods begin after the financial year, unless otherwise stated.

CY+6 = the relevant financial year plus a further 6 years

Document Title (local name)	Retention Period	Current Format
Finance		
Annual budget	6 years from current year	Paper or electronic
Annual statement of accounts	CY+6	Paper or electronic
Bank Statements	CY+6	Paper
Budget monitoring papers	CY+6	Paper or electronic
Budget files	CY+6	Paper or electronic
Changes to bank mandates	CY+6	Paper
Contract documentation (including advert details, list of interested parties, list of who received tender documents) - under seal - not under seal	12 years from financial year end 6 years from financial year end	Paper or electronic Paper or electronic
Correspondence files	CY+6	Paper or electronic
Debtors records	CY+6	Paper or electronic
Headteacher's budget reports	CY+1	Paper or electronic
Information files	Until superseded	Paper or electronic
List of Authorised signatories	6 years after person ceases to be signatory, or the list is suspended	Paper
Orders and Delivery documentation	CY+6	Paper
Petty cash vouchers, returned cheques, cheque stubs, monthly bank reconciliations	CY+6	Paper
Requisitions for goods or services	CY+6	Paper
Scheme of Delegation	Until superseded	Paper or electronic
School development plans	CY+3	Paper
Service level agreements	Until superseded	Paper or electronic
Outturn statements (including transactions Reports)	CY+6	Paper or electronic
Register of Tender and Quotations	CY+6	
Student Grant Applications	CY+3	Paper or electronic
Successful tenders and quotations	Life of contract	Paper or electronic
Unsuccessful tenders and quotations	2 Years	Paper or electronic
School Meals		
Dinner Registers	CY+3	Paper or electronic
F.S.M. Authorisations	Whilst child attends school	Paper
School Meals Summary Sheets	CY+3	Paper
Tickets	1 term	
Till Rolls	CY+3	Paper
School Funds		
Bank Statements	CY+6	Paper
Cheque Book stubs	CY+6	Paper
Completed Bank Paying in Books	CY+6	Paper
Invoices	CY+6	Paper
Ledger	CY+6	Paper
Receipts	CY+6	Paper

Document Title (local name)	Retention Period	Current Format
School Funds cont...		
Records relating to endowments and trusts	6 years after cessation	Paper or electronic
School Journey Books (if separate bank a/c, as for school fund)	CY+3	Paper
Parent-Teacher Associates		
Account books	CY+6	Paper
Annual statement of accounts	CY+6	Paper/electronic
Supporting financial papers	CY+6	Paper
Property		
Burglary, theft and vandalism report forms	CY+6	Paper/electronic
Contractors reports	CY+6	Paper
Maintenance log books	10 Years after last entry	Paper
Orders or repairs, maintenance and supplies	CY+6	Paper/electronic
Records of insurance (policies and schedules)	Until superseded	Paper
Records of lettings of school premises	CY+6	Paper/electronic
Title Deeds	Current Deeds only	Paper
Capital grant and loan sanction files	CY+12	Paper/electronic
Inventory	Until superseded	Paper/electronic
Plans	Until superseded	Paper
Registers of loans	CY+12	Paper/electronic
Payroll		
Income Tax form P60	CY+2	Paper
National Insurance Schedule of Payments	CY+6	Paper
Overtime, Flexitime and Absence Returns	CY+2	Paper
Payroll Reports	CY+6	Paper
Sickness Records	CY+2	Paper
Tax form P6, P45, P48, P11, P11D and P35	CY+6	Paper
Timesheets	CY+2	Paper
Governing Body		
Public Agenda Items (minutes, agenda, reports)	CY+6	Paper

Appendix 6.1 - Model Whistle Blowing Policy

In providing a pro forma policy, the Learning Trust is not seeking to be prescriptive, but recognises that some schools find a model helpful. The pro forma model may be adapted and tailored to reflect existing school procedures and local circumstances.

WHISTLE BLOWING POLICY

Introduction

The staff and governors of <SCHOOL> seek to run all aspects of school business and activity with full regard for high standards of conduct and integrity. In the event that members of school staff, parents, governors or the school community at large become aware of activities which give cause for concern, <SCHOOL> has established the following whistle blowing policy, or code of practice, which acts as a framework to allow concerns to be raised confidentially, and provides for a thorough and appropriate investigation of the matter to bring it to a satisfactory conclusion.

Throughout this policy, the term whistle blower denotes the person raising the concern or making the complaint. It is not meant in a pejorative sense and is entirely consistent with the terminology used by Lord Nolan, as recommended in the Second Report of the *Committee on Standards in Public Life: Local Spending Bodies*, published in May 1996.

<SCHOOL> is committed to tackling fraud and other forms of malpractice and treats these issues seriously. <SCHOOL> recognises that some concerns may be extremely sensitive and has therefore developed a system that allows for the confidential raising of concerns within the school environment but also has recourse to an external party outside the management structure of the school.

<SCHOOL> is committed to creating a climate of trust and openness so that a person who has a genuine concern or suspicion can raise the matter with full confidence that the matter will be appropriately considered and resolved.

The provisions of this policy apply to matters of suspected fraud and impropriety and not to matters of more general grievance, which would be dealt with under the <SCHOOL> grievance procedures.

When might the whistle blowing policy apply?

The type of activity or behaviour which <SCHOOL> considers should be dealt with under this policy includes:

- manipulation of accounting records and finances
- inappropriate use of school assets or funds
- decision-making for personal gain
- any criminal activity
- abuse of position
- fraud and deceit
- serious breaches of school procedures which may advantage a particular party (for example, tampering with tender documentation, failure to register a personal interest)
- [other].

What action should the whistle blower take?

<SCHOOL> encourages the whistle blower to raise the matter internally in the first instance, to allow those school staff and governors in positions of responsibility and authority the opportunity to right the wrong and give an explanation for the behaviour or activity.

<SCHOOL> has designated a number of individuals to specifically deal with such matters and the whistle blower is invited to decide which of those individuals would be the most appropriate person to deal with the matter.

Name & Position

Headteacher

Chair of Governors

Other e.g. confidential post-box

Contact details

The whistle blower may prefer to raise the matter in person, by telephone or in written form marked 'private and confidential' and addressed to one of the above-named individuals. All matters will be treated in strict confidence, and anonymity will be respected wherever possible.

Alternatively, if the whistle blower considers the matter too serious or sensitive to raise within the internal environment of the school, the matter should be directed in the first instance to the following members of The Learning Trust:

Financial: Assistant Director of Finance, The Learning Trust, 1 Reading Lane, Hackney, London

Other: Head of Human Resources, The Learning Trust, 1 Reading Lane, Hackney, London

(See the **Key Learning Trust Contacts** list in Section 1 for telephone and email details.)

<SCHOOL> would prefer that a serious concern is raised responsibly rather than not at all. Despite the assurances, the whistleblower may feel that it is more appropriate to raise the concern with an external organisation, such as a regulator. It is, of course, open for them to do so, provided they have sufficient evidence to support the concern. <SCHOOL> strongly advises that before reporting the concern externally, the whistleblower seeks advice from one of the following:

Public Concern at Work, a registered charity which advises on serious malpractice within the work place, can be contacted on 020 7404 6609.

The Audit Commission, "prescribed persons" under the Public Interest Disclosure Act, have set up an Anti-fraud and Corruption Unit which can be contacted on: 020 7630 1019.

How will the matter be progressed?

The individual(s) in receipt of the information or allegation (the investigating officer(s)) will carry out a preliminary investigation. This will seek to establish the facts of the matter and assess whether the concern has foundation and can be resolved internally. The initial assessment may identify the need to involve third parties to provide further information, advice or assistance: for example, involvement of other members of school staff, legal or personnel advisors, the police and The Learning Trust.

Records will be kept of work undertaken and actions taken throughout the investigation. The investigating officer(s), possibly in conjunction with the Governing Body, will consider how best to report the findings and what corrective action needs to be taken. This may include some form of disciplinary action or third party referral, such as the police.

The whistleblower will be informed of the results of the investigation and the action taken to address the matter. Depending on the nature of the concern or allegation and whether or not it has been substantiated, the matter will be reported to the Governing Body and the LEA.

The Learning Trust has its own procedures for dealing with such matters and will ensure every effort to respect the confidentiality of the whistleblower. If the whistleblower is not satisfied with the outcome of an investigation, <SCHOOL> would prefer that the whistleblower raised this with them or the Learning Trust, explaining why this is the case. The concern will be looked at again if there is good reason to do so.

If the whistleblower is dissatisfied with the conduct of the investigation or resolution of the matter or has genuine concerns that the matter has not been handled appropriately, the concerns should be raised with the investigating officer(s), the Governing Body and/or directed to The Learning Trust.

Respecting confidentiality

Wherever possible, <SCHOOL> seeks to respect the confidentiality and anonymity of the whistleblower and will as far as possible protect him/her from reprisals. <SCHOOL> will not tolerate any attempt to victimise the whistleblower or attempts to prevent concerns being raised, and will consider any necessary disciplinary or corrective action appropriate to the circumstances. The Public Interest Disclosure Act became law in 1999 and gives a "worker" the right not to be victimised or dismissed because he or she has made a protected disclosure.

Raising unfounded malicious concerns

Individuals are encouraged to come forward in good faith with genuine concerns, with the knowledge they will be taken seriously. If individuals raise malicious, unfounded concerns, or attempt to make mischief, this will also be taken seriously and may constitute a disciplinary offence or require some other form of penalty appropriate to the circumstances.

Conclusion

Existing good practice within <SCHOOL> in terms of its systems of internal control, both financial and non-financial, and the external regulatory environment in which the school operates, ensure that cases of suspected fraud or impropriety rarely occur. This whistle blowing policy is provided as a reference document to establish a framework within which issues can be raised confidentially internally and, if necessary, outside the management structure of the school. This document is a public commitment that concerns are taken seriously and will be actioned.

Additional Sources of Advice and Information

For additional information and advice on developing a policy on whistle blowing, schools may wish to contact the charity *Public Concern at Work*. This charity offers free legal advice, in certain circumstances, to people concerned about serious malpractice at work. Their literature states that matters are handled in strict confidence and without obligation. Contact details for the charity are as follows:

Public Concern at Work
Suite 306
16 Baldwins Gardens
London EC1 N 7RJ
Tel: 020 7404 6609

ASSET MANAGEMENT

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7 ASSET MANAGEMENT

7.1 Introduction

7.1.1 The Governing Body is responsible for the proper management and security of the school premises and the custody and physical control of all other assets including machinery, furniture, equipment, stock and other assets such as cash.

7.2 The Asset Register

7.2.1 The school must maintain an Asset Register of items held by the school that the Governing Body deems to be valuable and/or subject to an insurance claim. Moveable assets valued at £1,000 or more must be recorded.

7.2.2 The asset register should include the following information:

- date of acquisition of asset
- description of asset, including colour, a unique identification mark such as a serial number and security marking, where appropriate
- for ICT/electrical equipment, a record of the model or other unique reference/security number
- cost of the asset purchased
- source of funding
- location of the asset
- details of the disposal of any assets, whether scrapped, sold or donated
- details of the revaluation of an asset
- items used by the school but owned by others (e.g. leased items) supported by a note of ownership.

7.2.3 Where possible, the Asset Register should be held within the school's financial system, rather than as a hardcopy document.

7.2.4 A copy of the Asset Register must be kept in a safe, fireproof place, and be available for inspection.

7.2.5 Acquisitions and disposals should be recorded on the register at the time of acquisition or disposal and reported to the Governing Body.

7.2.6 The Governing Body must ensure that the asset register is kept up-to-date and is reviewed at least once a year. The review must include the physical check of the assets and must be performed by someone other than the person maintaining the register. The asset register should be certified and dated on completion of the review.

7.2.7 The upkeep of the asset register can be particularly important for insurance reasons, as policies will often limit the insurance of equipment etc. to those items present on the schools asset register. Please refer to the insurance section of this manual for further guidance.

7.2.8 Registers should be reconciled annually with the School's Insurance Services records. Where the school participates in the Council's insurance programme, the

register submitted to the Council should contain only audio visual/ICT items above the value of £250. Other items will not be covered.

7.3 Loaning Assets

- 7.3.1 An asset can be loaned to staff of the school, but schools must keep a log of such loans. Where loan of an asset could be deemed a benefit in kind and therefore have tax implications for the individual, the relevant paperwork must be completed. For further advice, please contact either your payroll provider or the Inland Revenue.

7.4 Disposing of Assets

- 7.4.1 The Governing Body may dispose of assets through sale, donation or scrapping.
- 7.4.2 Assets that have been disposed of must be removed from the Asset Register, and the insurer (if applicable) notified.
- 7.4.3 For every disposal, the Governing Body or Headteacher (if the authority has been delegated) must:
- record the reasons for the disposal
 - be able to demonstrate that the assets are either obsolete or surplus to requirements.
- 7.4.4 Headteachers must appoint a single person to be responsible for disposing of assets, and inform them in writing that they are ultimately accountable for doing so. The responsible person's name must be clearly identified in the school's disposal file.
- 7.4.5 Any disposal of a capital asset must be made in accordance with the school's policy on purchasing and disposal and, where the disposal involves land and/or buildings funded by the LEA, the school must obtain formal advice and approval from The Learning Trust.
- 7.4.6 Schools must ensure that they adhere to the latest WEEE (Waste Electrical and Electronic Equipment) legislation, which sets out the requirements for disposing of electrical/electronic equipment. The legislation states that such assets cannot just be thrown away, but must be disposed of properly, either by:
- donation to a charity (for refurbishment and re-use) – e.g. Tools for Schools
 - disposal by a specialist organisation, who will take such items away and recycle them. (Specialist organisations normally charge for this service.)



For further guidance, visit the following websites:

- www.dti.gov.uk/sustainability/weee for further information on WEEE legislation
- www.tfs.org.uk for information about the Tools for Schools charity.

- 7.4.7 Before disposing of computer equipment schools must ensure compliance with the Data Protection Act 1984 by erasing all personal data from the hard disk. Note that merely deleting files may not physically remove the data, which could be restored using specialised products. You must also ensure that any software products for which licences are maintained in-house are removed from the equipment prior to disposal.

- 7.4.8 Any member of staff who determines that an asset is surplus to requirement, or who is involved in the disposal, should never attempt to purchase it or take it for personal gain. There should be a clear separation of duties and the Headteacher must approve all disposals.
- 7.4.9 Official receipts must be issued for income received for disposed assets. Monies must be received and properly accounted for by someone who has not been involved in the disposal.
- 7.4.10 The income received from the sale of any asset must be treated as income in the school's budget, unless it relates to the sale of certain assets (such as land and buildings owned by the LEA) or to income from a Public/Private Partnership (PPP) or Private Finance Initiative (PFI), which are subject to a specific agreement.
- 7.5 Obsolete Assets**
- 7.5.1 Assets are deemed obsolete if they have no resale value.
- 7.5.2 Schools may donate surplus, obsolete assets to the voluntary sector, or scrap them.
- 7.6 Surplus Assets**
- 7.6.1 Where the possible sale value for an item or group of items exceeds a predetermined threshold value, the school should seek to dispose of them by quotation, competitive tender or public auction, unless approved by the Governing Body to do otherwise.
- 7.6.2 The threshold value should be set by the Governing Body.
- 7.7 Retention of Disposal Documentation**
- 7.7.1 All documentation relating to the disposal of the asset must be retained for a period of six years after the disposal.
- 7.7.2 The following types of document should be retained:
- the Governing Body or Headteacher's written record declaring the asset surplus, and instructions to the person appointed as responsible for the disposal.
 - the advertisement
 - the offers made
 - the receipt.
- 7.8 Security - General**
- 7.8.1 The Governing Body is responsible for the security of the school's assets.
- 7.8.2 It is the responsibility of all Budget Holders to ensure that a yearly stock check is carried out during the summer term. Any missing items must be reported to the Governing Body.
- 7.8.3 Appropriate arrangements must be in place for the security of all assets. Security measures could include the following:
- Secure equipment and other assets by means of physical and other security devices (e.g. locked In cupboards)
 - Authority to access these secured assets should be clearly documented

- All items in the asset register should be permanently and visibly marked as the school's property
- Maintain a record of any model or other unique reference/security number in the asset register
- Clearly mark any portable equipment that is vulnerable to theft with the name of the school.

7.8.4 Easily portable and saleable items (videos, televisions, computers, cameras, etc.) must be security marked and kept securely locked away when not in use, particularly overnight. Keep a separate record (in the Asset Register) of any model or other number unique to your machines.

7.8.5 Items of school property should not be removed from the school premises without the appropriate delegated authority.

7.8.6 Should property be removed from the school premises, the school should:

- establish the position related to insurance before the assets are taken off site
- be aware that assets on loan for extended periods or to a single member of staff on a regular basis may be deemed a *benefit-in-kind*, which may be subject to taxation
- keep a record of all assets removed from the school premises
- update the record when the assets are returned.

7.9 Computer Security and Protection

7.9.1 School computer systems hold sensitive financial and personal data. Schools must, therefore, take appropriate action to ensure that equipment and data is kept secure.

7.9.2 All schools should have a written ICT Security Policy, which should encompass the guidelines for protecting hardware and software, set out below.

7.10 Protecting Hardware

7.10.1 The main dangers to hardware are:

- loss through theft
- damage (accidental or otherwise).

7.10.2 To minimise the danger of loss or damage, the machines should be:

- Labelled with a unique asset number
- Entered onto the school's asset register with their serial numbers
- Correctly positioned (i.e. towers not laid on their sides).

7.10.3 If possible, the machines should also be:

- Not visible from outside the building or to the public generally
- Kept in a locked room when not in use, particularly overnight
- Where possible, secured to furniture
- Labelled, marked with indelible pen or have the name of the school soldered onto the case.

- 7.10.4 To minimise damage and the chances of the machines being damaged all users should:
- Refrain from eating or drinking whilst working on the machines
 - Never move or attempt to clean a machine without first obtaining the IT co-ordinator's advice
 - Ensure any loose cabling into the machine is not in danger of being stood on or tripped over by staff
 - Know who to contact in the event of a breakdown of the machine.
- 7.10.5 Laptops and other easily portable equipment are particularly vulnerable to theft and damage. They should be kept in a locked cupboard when not in use and carefully protected when taken outside the office.
- 7.10.6 File servers must be kept in secure rooms, with access limited only to authorised individuals.

7.11 Protecting Software

- 7.11.1 The main dangers to software are:
- Unauthorised access to data
 - Accidental loss of data by the user or because of machine failure
 - Corruption of data by computer viruses.
- 7.11.2 To minimise the danger of unauthorised access, users should ensure that:
- The system is returned to the password screen when leaving the office
 - The machine is switched off when not in use.
- 7.11.3 Only authorised staff should have access to computer hardware and software for school management.
- 7.11.4 Passwords should be used to stop unauthorised access to information.
- 7.11.5 Procedures should also exist for a new password to be issued to new staff , and withdrawn when staff leave.
- 7.11.6 Passwords should be:
- at least six characters long and preferably contain a number
 - changed regularly (every 90 days) and as soon as a user leaves
 - not shared between users
 - not written down
 - not obvious (such as the user's telephone number).
- 7.11.7 Schools should have a recovery plan in the event of loss of accounting or financial data. The plan should outline the need for and frequency of electronic back-up, secure storage of back-ups (if possible, off-site), and manual procedures to provide support for key processes where normal system usage is not possible.



Guidance on disaster recovery planning can be obtained from The Learning Trust's Health and Safety Officer (see the **Section 1 - Key Learning Trust Contacts** for contact details).

- 7.11.8 The following precautions should be taken to minimise any loss of data caused by machine failure or user error. (When PCs are networked and data is stored to a server, these functions should be carried out by the System Administrator.)
- Give all users proper written instructions on how to use the system.
 - Back up all data regularly (i.e. files created by the user such as word processor documents or spreadsheet files). It is recommended that data be backed up after 8 hours' work on the machine.
 - If possible, keep at least three generations of back-up (i.e. the previous three back-ups). Back-up cycles should be taken daily, weekly and monthly.
 - Maintain a back-up of all operating software (such as Windows NT).
 - Store the system disks/CDs for the applications (such as Microsoft Office) securely.
 - Store all back-ups away from the vicinity of the machines in a fireproof, locked cabinet or safe - preferably off-site.
 - Ensure that there is adequate hardware maintenance cover for critical equipment.
- 7.11.9 To minimise the danger of data corruption by viruses an anti-virus solution must be implemented for all networked PCs and servers. There is a continuing threat from previously undetected viruses, so staff should take the following precautions.
- Never load software without the your school IT co-ordinator's approval, including software from the Internet.
 - Never load any disks/CDs sent unexpectedly through the post (for example, demonstration or customer research software).
 - Strictly control the transfer of software and data from one machine to another.
 - Never make unauthorised copies of any software.
 - Ensure virus-checking software is installed on all computers, and regularly updated.
- 7.12 Unauthorised Use of Software and Data Protection**
- 7.12.1 The 7th Data Protection Principle of the 1998 Act requires personal data to be surrounded by proper security. Take care at all times to ensure that staff do not render themselves liable to prosecution under the Data Protection Act.
- 7.12.2 Take particular care to protect data accessed or processed by 3rd parties. Any contract held with organisations or contractors authorised to process Council data should specify the security standards required. Advice on how to comply with the Act is available from The Learning Trust's IT Team under service level agreement arrangements.
- 7.12.3 Unauthorised copying of software is illegal under copyright.
- 7.13 Internet Usage**
- 7.13.1 Web filtering should be installed to automatically block any inappropriate websites from being accessed.

7.14 Computer Printouts

- 7.14.1 Employees must not release information or computer data, particularly that of a personal or sensitive nature, to unauthorised persons.
- 7.14.2 Take care to prevent inadvertent disclosure of information, e.g. by ensuring that paper is suitably filed and disposed of securely.
- 7.14.3 Confidential waste must be shredded.

7.15 Further Advice

- 7.15.1 Staff in The Learning Trust's IT Division can provide advice under service level agreement arrangements, if required. You can contact the IT Helpdesk via email or telephone. See **Section 1 – Key learning Trust Contacts** for contact details.

INSURANCE & RISK MANAGEMENT

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8 INSURANCE AND RISK MANAGEMENT

8.1 Risk Management

8.1.1 The main risks currently facing Hackney schools are as follows:

- playground equipment
- damage to property caused by flooding
- bullying
- accidents
- arson
- theft.

8.1.2 Insurance is a way of paying someone else to compensate you for your losses, and should be purchased in respect of risks/potential losses that would impact seriously on a school's finances. Contact the LBH Insurance Section for further information on this subject (see Section 1 - Key LBH Contacts for contact details).

8.1.3 The Trust also employs an Insurance Officer. The Trust's Insurance Officer can support schools in collating information required for the LBH Insurance annual return and will also act as a point of contact between schools and LBH, where appropriate.

8.1.4 Purchasing appropriate insurance cover should be part of the school's overall risk management strategy. However, it should be acknowledged that risk management goes far wider than just the purchase of insurance. Risk Management is a method of identifying, controlling and managing the risks that face an organisation. For example, a school could reduce risk as follows:

- ensure that buildings are secured when unoccupied
- mark all moveable assets with indelible ink
- score items with a solder to make them less desirable and more identifiable
- install a good quality alarm system
- use bars on windows
- illuminate external areas.

8.2 Business Continuity & Emergency Planning

8.2.1 Schools have a statutory responsibility to have in place a suitable Business Continuity & Emergency plan and a Disaster Recovery plan.

8.2.2 The Learning Trust had produced a 'School Emergency Management Plan' template, into which site-specific and key personnel details can be inserted. The Plan also outlines support mechanisms and the Learning Trust/LBH personnel in place in the event of an emergency, during the recovery phase and beyond.

8.2.3 Please contact The Learning Trust's Health, Safety & Environment Manager for guidance on disaster recovery (see **Section 1 - Key Learning Trust Contacts** for contact details).

8.3 Purchasing Insurance Cover

- 8.3.1 Hackney Schools may currently be part of LBH's Insurance Scheme, or can make independent arrangements with external suppliers. When using external suppliers, please ensure that they are members of the Association of British Insurers or members of the British Insurance Brokers Association.
- 8.3.2 The Financial Services Authority (FSA) regulations that came into effect in January 2005 restrict the advice given on insurance by financial organisations to registered providers only. Due to these changes, The Learning Trust can no longer provide independent insurance advice or recommend any insurers. If schools require independent insurance advice they must contact their insurance provider, LBH, or a reputable insurance broker.
- 8.3.3 Each school is responsible for maintaining an up-to-date list of their insurers and the insurance cover they have purchased, as well as the property/risks covered by those policies.
- 8.3.4 When purchasing insurance, schools should obtain quotes from at least three reputable providers before making a final decision. The validity of many insurance policies is subject to certain conditions being observed, and it is the school's responsibility to ensure that these conditions are complied with. It is also the school's responsibility to finance both the excess and any claims that fall outside the scope of their cover.
- 8.3.5 Where external suppliers are used, schools must comply with the following conditions:
- a) The policies must comply with the minimum standards of cover agreed by LBH.
 - b) LBH'S insurance policies run from 1 April to the 31 March. Schools must ensure that they have continuous cover in any one financial year.
 - c) The policies must meet the following criteria, contained within the Fair Funding paper:
 - i Written confirmation from your broker that your cover meets the LEA's minimum requirements.
 - ii Property cover has been written in joint names of LBH and the school, and that all covers jointly indemnify LBH and your school.
 - iii Written confirmation from your broker that they will give LBH a minimum of 21 days' written notice in the event of cancellation of the policy.
 - iv Copy of the policy document to be provided within 30 days of policy inception.
 - v All policy excesses to be no greater than £250. (For clarification, check with LBH's Insurance Section.)
- 8.3.6 If arrangements made by the school are inadequate, or adequate proof of cover is not provided, LBH has the right to arrange cover under its scheme and charge the school accordingly until the situation has been resolved. This is to protect both the school and LBH in the event of claims being made during the period.
- 8.3.7 The level of your premium will be based on the level of risk. Insurers may need the following information to enable them to quote:

- Pupil numbers
- Staff numbers
- Value of buildings
- Value of Contents
- Contents of the school's Asset Register.

8.3.8 The types of insurance elements that a school may want to insure are, amongst others, as follows:

- Property Damage (Buildings and Contents)
- Business Interruption/Consequential Loss
- Money (not belonging to members of staff)
- Fidelity Guarantee, i.e. against fraud by employees (the LEA must do this by law)
- Employers' Liability, i.e. employees sustaining injury or disease during the course of, or arising out of, their employment
- Public Liability, i.e. where the school is sued for losses caused by its actions or those of its staff
- Governors' Liability and Professional Indemnity
- Libel and Slander
- Personal Accident (assault on staff)
- Engineering
- Motor Vehicles (owned by school)
- School trip insurance.

8.3.9 If the school acquires any new property or equipment, or is subject to any further risks that may require insurance cover, the school's chosen insurance provider should be notified promptly.

8.3.10 Schools should ensure that:

- all insurance policies are kept in a safe and secure place
- they have not under-insured themselves (please contact the Insurance Section at LBH for guidance)
- the financial amount which it is insuring is regularly reviewed, at least annually
- all the small print on insurance policies is read and understood
- they maintain an accurate claims record.

8.4 Levels of Excess

8.4.1 Excess is determined by the insurance provider. The All Risk policy covers Fire, Aircraft, Lightning, Flooding, Earthquake and Explosion, with each risk carrying its own excess.

8.4.2 Under LBH's insurance scheme, there is a separate cover for computer equipment. The excess for computer equipment is £100. The excess for all other Audio Visual devices is £250.

- 8.4.3 Liabilities insurance cover is compulsory. However, schools do have the option to opt out of the insurance scheme provided that the alternative provider's level of cover meets LBH's requirements.
- 8.4.4 Each year, LBH renew their insurance cover (which includes cover for schools) and notify schools of the premium for the following year. Schools need to allocate funds from their budget to meet the cost of the liabilities insurance, which may vary significantly from year to year.

8.5 Making Insurance Claims

- 8.5.1 Each insurer will have their own procedures with regards to making claims against policies. These procedures should be followed very closely to avoid claims being refused. In particular, all schools should pay attention to the reporting deadlines and the requirement placed upon them to provide relevant information.
- 8.5.2 It is important that, when you need to claim on your insurance, you inform the insurer as soon as it is practical to do so. Often, insurance policies will state the period during which you can claim for a loss. Make sure you abide by these conditions or your claim may be rendered invalid.
- 8.5.3 When making a claim, you need to provide the following information:
- Date of loss/damage/accident/incident
 - Crime Reference Number
 - Exact cause of loss
 - Extent of loss
 - Exact time and place of loss (as near as possible)
 - Value of items claimed for and proof of value (e.g. receipts, invoices, etc.)
- 8.5.4 All schools insured under LBH's policy should make claims via LBH's Insurance Section (see Section 1 - Key LBH Contacts for contact details), who will be able to provide support and advice about how to deal with claims.
- 8.5.5 The claims procedure will vary according to the type of claim being made. However, for any claim you will need to fill in and send to the insurer a claim form, with as much detail as possible. If insufficient information is provided, the claims process may be delayed or rejected. It is a good idea to keep some of your insurer's claim forms on hand and to keep copies of each claim you submit.

8.6 Dealing with Claims Against You

- 8.6.1 If you receive a claim against your school, or a threat of legal proceedings, you should acknowledge it and send it to your insurer as soon as possible. Please refer to the Woolfe Report (see Appendix 8.1).
- 8.6.2 In any claim against you:
- DO NOT enter into any correspondence with the claimant
 - DO NOT admit liability
- 8.6.3 Always refer to your insurer's guidelines for procedures.

8.7 Record Keeping

8.7.1 Schools should ensure that:

- Primary pupils' files are kept for a minimum of 12 years
- Secondary pupils' files are kept for a minimum of 7 years
- The files are available in the event of a claim.

8.7.2 Remember that the statutory limitation for a child making a claim is until they reach the age of 21.

Appendix 8.1 – The Woolfe Report

- a. With effect from the 26th April 1999, Civil Litigation in England and Wales has been altered substantially as a result of the “Access to Justice” report by Lord Woolfe.
- b. The overriding objective of these reforms is to make the legal system more accessible and equitable and, above all, more cost-effective.
- c. The Woolfe reforms applied to personal injury now extends to all other claims.
- d. The overriding point to note is the strict timetables imposed by the protocols.
- e. Failure to comply with these timetables will incur financial penalties and give the claimant the right to proceed with litigation immediately. It is important that schools are aware of their responsibilities. Failure to comply with the timetables will be costly.
- f. The first important point is that all letters of claim from claimants must be acknowledged within 21 days from the date of **posting**. It is vital that all such letters are passed to your Insurer immediately, together with the envelope, and are clearly marked with the date of receipt. These letters must not under any circumstances be acknowledged by schools but should be passed immediately to your insurer for action.
- g. Your insurer has a period of 3 months from the date of acknowledgement to investigate the claim and make a decision on liability. It is vital that schools afford their insurance agent’s co-operation in the subsequent investigation of a claim. When specific documents are requested, they should be supplied at once or an explanation as to why they are not available be offered.
- h. Should you have any questions or require any further clarification on this subject, contact Hackney’s Insurance Section.

SCHOOL JOURNEYS

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9 SCHOOL JOURNEYS

9.1 Voluntary Contributions, Charging & Remissions Policy

9.1.1 The Headteacher should keep a written record confirming that, in their opinion, the school trip is of educational value and related to the curriculum.



See **Appendix 11.6** in **Section 11 – VAT** for a sample school trip approval form.

9.1.2 Where trips are an essential part of the National Curriculum, or they take place during school time, they must be provided free of charge (except for board and lodgings). Parents can, however, be asked for a voluntary contribution.

9.1.3 The Governing Body should note that they may only ask parents for a contribution if they have an approved 'Charging Policy'. This should clearly state that visits might have to be cancelled if insufficient funds are received to make it viable. It should also be noted that it is now a legal requirement for Governing Bodies to carry out a formal review of their Charging Policy each year.

9.1.4 Any letter to parents asking for a contribution must make it clear that there is no obligation to make such a contribution, and that pupils will not be treated differently if their parents do not make a contribution. However, parents should be made aware that, if there are insufficient voluntary contributions to fund the trip, it might be cancelled.

9.1.5 Where a charge for residential accommodation is made (e.g. for a trip abroad, or a residential centre) the charge cannot include the cost of transport, as this is legally deemed incidental to the education. However, voluntary contributions can be requested to cover the cost of the transport element. Any letters to parents setting out the costs of residential trips must clearly distinguish between the chargeable element and the voluntary contributions required. It is good practice to provide parents with a breakdown of how the cost per child has been calculated.

9.1.6 Where the trip takes place outside normal school time, a charge may be made, in accordance with the approved Governing Body charging policy.

9.1.7 The school should assess whether or not a trip is viable, and set budget targets for remissions or subsidies that will be chargeable to the school budget share. The school can then monitor the charges made against school budget share as part of their normal budgetary control process.


9.1.8 If the money collected is less than the expenditure incurred on a visit, the Governing Body may subsidise any shortfall from the budget allocation it receives from LBH. It may also meet shortfalls by fund raising or other voluntary contributions. Any funds must be treated as income and accounted for through the school budget.

9.1.9 School trips should not be costed to generate a profit. However, it is accepted that there may be occasions when a profit is made. It is suggested that, when the first formal communication is made with parents, it should be stated that whilst there is no intention to make a profit, should this prove to be the case and the surplus is in excess of £5, the money will be redistributed to relevant parents/guardians. If the surplus is below this limit, it can be allocated to fund future

school trips. The Governing Body should establish the parameters for the surplus.

- 9.1.10 The cost of any supply teachers required to fill in for the normal teachers taking part in the trip cannot be recovered, or form part of the calculation, when establishing the cost of the trip.
- 9.1.11 All income and expenditure in connection with a particular trip should be accounted through the school's disbursement account. This applies only to visits of an educational nature.

9.2 Recording Receipts and Payments

- 9.2.1 Finance staff are reminded that, as with other monies, all school journey money must be kept in the school safe and banked promptly.
- 9.2.2 Officers responsible for collecting school trip money should be issued with a collection register and contribution cards.
- 9.2.3 The collection register should clearly show the names of the children going on the trip, and the amount to be collected.
- 9.2.4 Responsible officers should ensure that they sign and date contribution cards, as this is proof to parents that the money has been received by the school.
- 9.2.5 Refunds should be made only on receipt of a request form from the parent, countersigned by the officer in charge of the trip.
- 9.2.6 Officers responsible for collecting money should clearly date and sign the collection register in addition to showing the amount being handed in for banking.
- 9.2.7 Once officers collect money it should be given to an appointed member of the school's finance staff to check and bank.
- 9.2.8 A member of the finance team should check that the amount being handed in for banking is a true record, and provide the officer who administered the collection with a receipt.
- 9.2.9 School income for educational trips should be paid into the school's disbursement account. Income (and expenses) relating to non-educational visits should be paid into a voluntary fund account.
 See **Section 12 – Voluntary Funds** for guidance on Voluntary Funds.
- 9.2.10 The Headteacher should ensure that adequate insurance is taken out prior to the start of the trip.

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10 SCHOOL BANK ACCOUNTS

10.1 Introduction

- 10.1.1 Each Hackney school is required to operate a bank account. The framework under which school bank accounts must operate is set out in the Scheme for Financing Schools.
- 10.1.2 The following sections set out the terms, responsibilities and requirements of the Scheme, and is consistent with Section 3 of Section 48 of the School Standards and Framework Act 1998 (Instalments of the Budget Share: Banking Arrangements).

10.2 Responsibilities of the Finance Director, London Borough of Hackney

- 10.2.1 The Finance Director has a statutory responsibility under the provisions of Section 151 of the Local Government Act 1972, and Section 114 of the Local Government Finance Act 1988, for the secure and efficient financial arrangements of the Local Authority and for the accuracy of the accounts and financial returns required by Central Government. The Finance Director also has statutory duties under the Accounts and Audit Regulations 1996 relating to the accounting systems used within the Authority, the form of the Authority's accounts and the provision of Internal Audit.
- 10.2.2 These overall responsibilities remain with the Finance Director notwithstanding the introduction of the School Standards and Framework Act 1998. However, its aim is to allow schools the desired freedom, whilst maintaining public accountability.

10.3 Responsibilities of Governing Bodies

- 10.3.1 The Governing Body is responsible, under the provisions of the School Standards and Framework 1998, for ensuring that Schools operate within their delegated budget.
- 10.3.2 The financial responsibilities of a Governing Body are defined by the arrangements set out in the Scheme for Financing Schools.

10.4 Responsibilities of Schools

- 10.4.1 Schools are responsible for:
- timely payment of all invoices and charges properly payable from the school bank account
 - production of payment advice notes to accompany cheques, so that creditors can determine for which particular goods, services or invoice the cheque represents payment
 - answering creditor queries on payments
 - reconciling the school bank account to local accounting records
 - completing monthly income and expenditure returns for The Learning Trust

- retaining all original invoices and other payment documentation safely and for the minimum required period (see Section 6– Audit & Financial Reporting, earlier in this manual)
- monitoring and maintaining adequate cash flow in order to generate maximum interest receipts and prevent overdrawn balances.

10.4.2 Any breach of banking terms must be reported immediately by the Headteacher to the Assistant Director of Finance at The Learning Trust.

10.5 Choosing a Bank/Building Society

10.5.1 The choice of bank or building society must be made by the full Governing Body of the school. The selection must be made from the list set out in Appendix 10.1.

10.5.2 The Assistant Director of Finance at The Learning Trust must be notified in writing of the choice made at least four months in advance of opening the account.

10.5.3 Schools opening an account may need to open both a current and deposit account. Alternatively, negotiation with the bank concerned may result in an equally good rate of interest on a current account only.

10.5.4 A school may not open accounts with more than one bank or building society.

10.5.5 To prevent risk to investments, balances may be held in current and deposit accounts only.

10.5.6 Schools must not themselves offer any form of security to the bank. If requested, LBH may guarantee individual accounts. Applications should be made to the Assistant Director of Finance at The Learning Trust.

10.5.7 Schools should note that if they use a bank other than LBH's bank to pay in income due to LBH, LBH may seek to recover any additional banking charges it incurs from those schools.

10.6 Pooled Arrangements

10.6.1 The Learning Trust offers a pooling arrangement for schools. This facility offers attractive interest rates, low bank charges, and removes the need for schools to operate a separate current and deposit account and the associated bank reconciliation issues that that presents.

10.6.2 The daily balances of schools participating in the pooling arrangements are aggregated and invested on the schools behalf. The interest earned, less any charges made for the service, is shared pro-rata to the aggregate balance invested. Net interest payments are made into school bank accounts on the last working day of each month.

10.6.3 At the current time of writing, schools within the pooling arrangement are allowed to have one Private/Voluntary Fund account with the National Westminster bank that attracts interest at 1% below base rate.

10.7 Payments that Cannot be made from the School's Bank Account

10.7.1 The school bank account can be used for all expenditure included in delegated budgets except items related to unofficial funds, e.g. private or voluntary school funds

10.8 Funding and Income Paid into the Bank Account

- 10.8.1 Funding and Income that may be paid into school bank accounts includes:
- advances made by The Learning Trust of the school's delegated budget
 - advances made by The Learning Trust in respect of approved Standards Fund schemes
 - VAT reimbursement sent by The Learning Trust
 - any income generated by activities funded from school's delegated budgets and extended school activities funded from other sources, e.g. lettings or miscellaneous sales, including contributions towards school expenditure received from the private School Fund or Parents Teacher Association.
- 10.8.2 Private school fund income must continue to be paid into the relevant account, and not paid directly into the school bank account.

10.9 Operating School Bank Accounts - Expenditure

- 10.9.1 All accounts must be in impersonal names and include the full name of the school, and 'London Borough of Hackney Council'.
- 10.9.2 The bank mandate must include at least three authorised signatories and require all cheques to be signed by two authorised members of staff.
- 10.9.3 Authorised signatories on school cheque accounts should be the Headteacher and senior members of staff. Staff with responsibility for ordering and processing invoices (i.e. those who initial the certification boxes) should not be authorised signatories, to ensure that adequate controls exist by the division of duties in the school.
- 10.9.4 A school must have a minimum of two and a maximum of four cheque signatories, one of whom must be the Headteacher. A second signatory must be a senior member of staff (e.g. Deputy Headteacher). This does not normally extend to the Secretary or Bursar, as this is unlikely to result in an adequate segregation of duties. However, if the Secretary or Bursar is not involved in payment processing and accounting, and provided that an adequate level of internal control is maintained, they may be a signatory.
- 10.9.5 Governors should not normally be authorised signatories to the account. Governors who are not employees of the school must not be authorised to sign cheques unless the school can demonstrate insurance to indemnify LBH against loss.
- 10.9.6 Cheques must be signed in manuscript by two authorised signatories. Facsimile signatures and rubber stamp signatures are not acceptable.
- 10.9.7 Schools are responsible for ordering their own cheques.
- 10.9.8 Blank cheques must not be pre-signed under any circumstances and should be held securely at all times.
- 10.9.9 Cheques that are spoiled during issue must be clearly marked 'cancelled' and retained with their counterfoil, for audit purposes.
- 10.9.10 All cheques of £2,000 and above must be signed by the Headteacher and another authorised signatory.

- 10.9.11 Schools must process all cheques, including cancelled and returned cheques, through their accounting system.
- 10.9.12 Payments due to LBH and The Learning Trust for goods or services will be recovered by invoice.
- 10.9.13 To ensure that school funds are sufficiently protected from erroneous and fraudulent transactions, schools wishing to manage their bank accounts using telephone, internet or BACS banking facilities must first seek the written approval of the Assistant Director of Finance at The Learning Trust. Procedures for the use of telephone and internet banking should include:
- maintaining internal check in generating transactions
 - reconciliation of the account by staff not involved in the transactions
 - retention of documentation to support transactions
 - cash limits on individual transactions and total transactions in a set period.
- 10.9.14 Schools must not plan to overdraw their accounts or make arrangements for loans or any other forms of credit or deferred purchases without the written permission of the Secretary of State for Education and Employment. This restriction does not apply to Licensed Budget Deficits and the Loan Scheme operated by the Learning Trust in accordance with the Scheme for Financing Schools.
- 10.9.15 Schools should endeavour only to make payments against invoices. If this is not possible and payment has to be on a payment-with-order basis, a receipt or paid invoice/acknowledgement must be obtained for all cheque payments.
- 10.10 Funding – School Budget Share**
- 10.10.1 The amount to be advanced to schools is the total budget share for each particular school, comprising:
- the delegated budget
 - Standards Fund allocations, and
 - Schools Standards Grant.

10.10.2 Installments of the school delegated budget and Standards Fund allocations are normally paid by direct transfer to the school's bank account, as follows:

Month	%
1 April	25.0
1 May	8.3
1 June	8.3
1 July	8.3
1 August	8.3
1 September	8.3
1 October	8.3
1 November	8.3
1 December	8.3
1 January	8.3
	100

10.10.3 The Learning Trust will advance Schools Standards Funds at intervals throughout the year, reflecting when payment is received from the DfES. Payments are normally made in five instalments: June, October, January, March and April.

10.11 Overdrafts

10.11.1 Schools are not permitted to go into overdraft.

10.11.2 Applications from schools for early release of part of their next advance will be considered sympathetically by the Assistant Director of Finance at the Learning Trust (subject to an interest charge of 1% above base rate and an administration charge). Please contact the Schools Support Team for an application form.

10.12 Interest Earned on a School's Bank Account

10.12.1 Schools retain the interest earned on their accounts, and should ensure that interest is paid gross, without deduction of tax.

10.12.2 If the interest is paid net, schools should obtain a tax deduction certificate and send it to the Assistant Director of Finance at The Learning trust, to obtain a refund and enable school bank accounts to be reimbursed accordingly.

10.13 Interest Payable to LBH

10.13.1 As a result of the timing of advances made to schools (with advances being made earlier than costs being incurred) a loss of interest on Council bank balances occurs. Therefore, in accordance with the provisions of the School Standards and Framework Act 1998, a recovery from schools equivalent to that loss of interest is deducted.

10.13.2 How this interested is calculated is set out in the Scheme for Financing Schools. This document is available at:

www.learningtrust.co.uk/schools/finance/docs/schools-manual

10.14 Bank Charges

10.14.1 All bank charges must be paid by the school. The schedule of bank charges is available on request from The Trust's Schools Support (Finance) Team.

10.15 Credit Cards

10.15.1 Schools are explicitly barred from using credit cards, which are regarded as borrowing.

10.16 Discontinuing/Closing a School's Bank Account

10.16.1 If a school fails to comply with any requirements of this Manual, and this gives rise to any financial liability falling on LBH or The Learning Trust, this amount will be deducted from a future advance.

10.16.2 LBH's Director of Finance has the right to withdraw a school's separate bank account or discontinue a school representative from being a cheque signatory if, in his opinion, proper financial control is not being exercised, or there had been substantial or persistent failure to comply with the requirements of the scheme. In such circumstances, the Assistant Director of Finance at The Learning Trust will be kept fully informed of the reasons leading to this decision.

10.16.3 This facility can be restored if the school demonstrates its capability to manage a bank account in a manner considered acceptable by the Director of Finance.

Appendix 10.1 - Approved Financial Institutions for School Bank Accounts

Clearing Banks

Bank of Scotland
Barclays Bank
Co-operative Bank PLC
HSCB
Lloyds TSB Bank PLC
National Westminster Bank
Royal Bank of Scotland

UK Incorporated Institutions Authorised by the Bank of England and Building Societies

Abbey National PLC
Halifax PLC
Woolwich PLC
Nationwide

This list is limited to major clearing banks, incorporated institutions and building societies, as the Finance Director of the London Borough of Hackney retains the responsibility to ensure that LBH's funds are invested prudently. The Finance Director will review this list from time to time.

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11 VAT

11.1 Introduction

11.1.1 VAT is a tax on consumer expenditure and is chargeable on all supplies of goods and services within the UK except those specifically exempted or zero-rated. It is administered by Her Majesty's Revenue & Customs (HMRC), whose officers may visit all VAT registered persons and organisations. During these visits they examine business and accounting records and extraction of data for period VAT returns, to ensure compliance with all VAT regulations.

11.1.2 As all schools operate within LBH's overall framework, they are bound by the same conditions and regulations as LBH and are registered under LBH's VAT number. **LBH's VAT number is 220 5529 95.**

11.1.3 The general principles of VAT apply to LBH and its schools in the same way as they do to other organisations. However, LBH benefits from a more generous treatment. LBH is allowed to reclaim most of the VAT that it has incurred on expenditure. Expenditure in schools' Council funds is charged net of VAT. The VAT element is charged to the VAT account and reclaimed monthly from HMRC. It is important that schools identify the VAT element of any expenditure, as well as charging VAT on income, where applicable.



See **Appendix 11.1** for a list of typical items of expenditure and their VAT liability.

11.1.4 Reimbursement claims submitted by schools form part of LBH's legal declaration to HMRC. It is essential that, in accordance with the Financial Regulations, reimbursement claims are accurate, certified by an authorised signatory and submitted to the Schools Support (Finance) Team at The Learning Trust each month. Failure to submit accurate and timely returns may result in an assessment being made by HMRC.

11.1.5 It is vital that staff who deal with income and/or expenditure are aware of the VAT rules and are able to recognise when VAT implications may arise across school activities. VAT must be processed correctly, as penalties may be incurred if errors are made, and schools are financially liable for any penalties incurred by their actions.

11.1.6 Schools are advised to contact LBH's Senior Accountant VAT & Tax (on 0208 356 2682) at the earliest opportunity to obtain the necessary information or clarification where there is some doubt or concern regarding VAT.

11.1.7 VAT is a complex area and is subject to constant changes in legislation and case law. The advice contained in this manual reflects current practice and there will be the need to issue updates and additional guidance in the form of briefing notes as circumstance change.

11.2 Business versus Non-Business Activities

11.2.1 The VAT system makes a distinction in the purposes for which the expenditure has been incurred.

11.2.2 Transactions not carried out in the course of, or furtherance of a business activity, are non-business and are outside the scope of VAT.

11.2.3 As a general rule of thumb, a non-business activity for LBH is one where:

- LBH has a statutory obligation to undertake the transaction, and a monopoly over that activity
- LBH has a statutory duty through UK legislation to provide it, or where a statutory fee is charged.

11.2.4 A business activity is one in which the supply is comparable with or potentially in competition with a supply made by a private sector body.

11.2.5 Typical examples of business and non-business activities are:

Business	Non-Business
<ul style="list-style-type: none"> • School lettings • Car parking • Sale of clothing • Sale of meals to staff & visitors 	<ul style="list-style-type: none"> • Primary & Secondary education • Educational school visits • Careers Service • Meals supplied to own pupils

11.2.6 Since many of the activities undertaken by LBH are part of its statutory functions and funded from taxation and central government grants, they are regarded as non-business activities. Under normal VAT regulations, the VAT incurred in providing these services would be irrecoverable. However, LBH has been given a special status which allows it to reclaim the VAT incurred on activities which are non-business and, therefore, outside the scope of VAT.

11.3 VAT Categories

11.3.1 As a VAT registered body, LBH must charge the appropriate rate of VAT on its supplies of goods and services, and as consumers pay the appropriate rate of VAT on the goods and services purchased.

11.3.2 The current rates of VAT are:

Standard Rate	Currently 17.5%
Reduced Rate	5% - this applies to qualifying use of fuel and power, and certain women's sanitary protection products.
Zero-rated	Taxable supplies for which Parliament has decided that the rate of VAT is 0%.
VAT Exempt	Supplies of goods and services that are not taxable. In most cases, a business that makes all or mostly exempt supplies cannot recover all the VAT on its purchases.
Outside the scope of VAT	Non-business, including supplies made by LBH to its schools and by the schools to LBH.


11.3.3 LBH has a special concession whereby VAT on supplies purchased for exempt activities may be reclaimed, as long as the total of this VAT does not exceed 5% of the total input VAT on all purchases in any given year. This is known as the partial exemption calculation.

- 11.3.4 LBH's position under these regulations is monitored corporately and, as a general rule, there are no particular issues regarding this matter with which schools need to be concerned, providing they follow the guidance in this section.
- 11.3.5 It would be prudent, however, if schools could identify their exempt income, as this figure will be required when undertaking the annual partial exemption calculation. In particular, schools should provide a breakdown of Income **Code I08 - Income from Facilities and Services**. Should LBH exceed the 5% limit for its partial exemption calculation, this would result in LBH having to repay all the VAT incurred on exempt income for the year to HMRC. This would be a significant cost, in excess of £2.5 million.
- 11.4 Input and Output Tax**
- 11.4.1 When a registered supplier makes a taxable supply, e.g. a sale, the VAT charged to the customer on this income is known as **output tax**.
- 11.4.2 When a registered supplier receives a taxable supply in the course of their business, the VAT on this purchase is known as **input tax**.
- 11.4.3 For LBH and its schools input tax is normally greater than output tax, and HMRC repay the difference to LBH.
- 11.5 Penalties and Interest**
- 11.5.1 VAT accounting errors totalling less than £2,000 in a single month (across LBH) can be corrected on LBH's VAT return with no penalty. Errors totalling more than £2,000 net, which are disclosed by LBH under the "Voluntary Disclosure" procedure will attract an interest charge for late payment where monies are owed to HMRC.
- 11.5.2 HMRC can levy a Misdeclaration Penalty for significant underpayments of VAT arising from "innocent" errors that have not been voluntarily disclosed. The penalty, which is in addition to the interest charge for late payment, is 15% of the VAT involved.
- 11.5.3 The penalty for deliberate evasion of VAT owed is 100% of the VAT evaded.
- 11.5.4 Penalties can also be imposed for failing to keep adequate VAT records and for the unauthorised issue of VAT invoices.
- 11.5.5 The penalties can be costly, particularly if they are to come from a school's budget. If there is any doubt over the VAT treatment of a transaction, seek advice from LBH's Senior Accountant VAT & Tax. DO NOT contact HRMC direct.
- 11.5.6 All invoices for purchases and supplies, and any supporting documentation such as cash records, must be kept for at least 6 years.
- 11.6 Recovering VAT**
- 11.6.1 VAT can only be recovered on purchases processed through the school's Council funds.
- 11.6.2 The effect of the dispensations in respect of non-business and exempt activities is that the VAT incurred by LBH and its schools is predominantly recoverable.

Since recoverable VAT is greater than VAT due, LBH submits monthly returns to claim the net refund as soon as possible.

- 11.6.3 Schools' accounting arrangements must ensure that the VAT paid on their purchases is correctly identified and that all supplies are accurately accounted for so that LBH reclaims the correct net amount.
- 11.6.4 In principle, VAT on expenditure should be recovered and VAT on income declared in the period in which the tax points of the supplies fall. Input tax can be recovered at any time within three years from the date of the invoice, although any cash flow benefit from an early recovery of tax would be lost. An invoice for output VAT should be issued within 60 days of delivery of the goods or performance of services, unless a payment has been received. Output VAT shown on invoices raised by schools must be included in the school's VAT Reimbursement claim for the period in which the invoice was raised.
- 11.6.5 The tax point for a supply made by a school in normal circumstances will be the date the supply is made or, if earlier, the date the tax invoice is raised or the cash received.
- 11.6.6 Bear in mind the following, important, points:
- These purchases must be for educational purposes for pupils on the school roll, either for use in delivering the curriculum or for the general running of the school.
 - The school must place the order, receive the supply, receive a VAT invoice addressed to it or LBH, and make payment from its Council funds.
 - A school's Council funds cannot be used to recover VAT on purchases where the ultimate receiver of the goods or services is a third party, e.g. a Parent Teacher Association (PTA) or for the private benefit of a member of staff.
 - Voluntary Aided Schools (with the possible exception of buildings-related expenditure – see Section 11.25.2 later in this manual), cannot reclaim VAT on works that are the responsibility of the Governing Body.
- 11.6.7 Schools will only incur VAT on purchases of standard-rated goods and services where they are purchased from a VAT-registered supplier.

11.7 Documentation Required to Recover VAT

- 11.7.1 In order to recover VAT incurred on expenditure, LBH (and all maintained schools) must be able to prove that it was the recipient of the supply. Purchase invoices must be retained for tax purposes. It is not sufficient to base recovery on the payment of the amount charged - there must also be evidence that the supply was actually made to LBH or the school.
- 11.7.2 Schools must also record their transactions in their accounts and hence LBH's accounts, according to the VAT rating of the supply.
-  **Appendix 11.1** shows a schedule of the items of expenditure most likely to be relevant to schools, and their associated VAT liability.
- 11.7.3 Claims for input tax must be adequately supported by tax invoices received from suppliers.

11.7.4 If the gross payment (i.e. including VAT) is more than £250, the tax invoice must include the following items:

- an identifying number (i.e. an invoice number)
- name, address and VAT registration number of the supplier
- time of supply (tax point)
- issue date of the invoice (if different to time of supply)
- name and address of the customer to whom the supply is made (i.e. the school name)
- description identifying the goods/services supplied (see below)
- the unit price, in relation to countable goods and services.

Each **Description** must include the following details:

- quantity of goods/extent of the services
- net amount charged (i.e. excluding VAT)
- VAT rate applied
- total charge made, excluding VAT
- rate of any cash discount offered
- total amount of VAT charged.



See **Appendix 11.2** for a sample 'Purchases Over £250' invoice.

11.7.5 If the gross payment is less than £250, schools may use a less detailed VAT invoice as evidence for VAT recovery. In this case, only the following details are required:

- name, address and VAT registration number of the supplier
- the time of supply (tax point)
- description of the goods/services supplied
- for each VAT rate applicable, the total amount payable (including VAT) and the VAT rate charged.



See **Appendix 11.3** for a sample 'Purchases Under £250' invoice.

11.7.6 If the supplier does not provide a taxable invoice that complies with these requirements, schools should not make the payment and must obtain a correctly prepared invoice from the supplier.

11.7.7 When credit is due as a result of defective goods or unsatisfactory services, the school should request a credit note.

11.7.8 There are limited circumstances where a VAT invoice is not required to support the recovery of VAT, i.e. for:

- telephone calls from public or private telephones
- purchases through coin-operated machines
- off street car parking charges (on street parking meters are not subject to VAT).

11.7.9 However, this only applies if the total expenditure is £25 or less (including VAT) and you must be sure that the supplier is VAT registered. Providing these

requirements are met, the VAT incurred may be recovered. These items generally refer to claims for out-of-pocket expenses.

- 11.7.10 Only original or certified copies of invoices can be used to support a VAT claim. Photocopies are not normally acceptable. Note that, if the necessary documentation is not obtained, HMRC can disallow the recovery of VAT paid and impose penalties and default interest. Records in respect of VAT must be maintained and the evidence easily retrieved.
- 11.7.11 Hard copies of invoices and other records such as computer records should be retained for six years. HMRC have agreed that, after two years, records can be transferred to electronic media (e.g. microfilm) provided that a clear audit trail is available, with an appropriate view and printing facility.

11.8 Accounting for VAT

- 11.8.1 LBH is registered for VAT and is therefore entitled to reclaim any VAT charged by suppliers of goods and services, subject to certain conditions. LBH is also required to charge VAT, where appropriate, on the goods and services it provides.
- 11.8.2 Schools come under LBH's VAT registration. LBH is ultimately responsible for ensuring that all VAT requirements are met and for calculating the correct VAT liability. Further VAT advice can be obtained from LBH's Finance Directorate on (0208 356 2682).



For guidance on producing VAT returns using either the SIMS FMS6 or RM Finance systems, please refer to the relevant guidance document: **SIMS Guidance Notes** or **RM Guidance Notes**. These documents are available on request from the Schools Support Finance Assistant. Please refer to **Section 1 – Key Learning Trust Contacts** for contact details.

- 11.8.3 LBH's VAT return is completed with information supplied by schools. Schools must provide details of income and expenditure and associated input and output tax for each calendar month.
- 11.8.4 A completed and signed statement (entitled VAT Submittal Report on FMS6) should be supplied to the Schools Support (Finance) Team at the Learning Trust each month to claim for VAT reimbursement. The Learning Trust will then co-ordinate school VAT statements and submit them to LBH for reimbursement.
- 11.8.5 The amount of VAT reclaimed on behalf of the school will be paid to the school after LBH has received it from HMRC.
- 11.8.6 It is essential that all requirements specified by HMRC are adhered to in the accounting treatment of VAT. Failure to comply with these requirements may result in financial penalties against the school if the school is in error.

11.9 Private (Non-Council) Funds

- 11.9.1 Schools' Private (non-council) funds are not part of LBH's VAT registration. Private (non-council) funds do not count as Council resources and need to be separately VAT registered if the total annual taxable turnover exceeds the statutory threshold. As at 1st April 2005, the threshold is £60,000.

- 11.9.2 Most schools' Private (non-council) funds are not VAT registered. However, it is not uncommon for schools' Private (non-council) funds, particularly in large secondary schools, to reach this threshold.
- 11.9.3 If you believe that the taxable turnover of your Private (non-council) fund is near or above the threshold you should seek advice to determine whether or not the fund should be registered for VAT. There may be penalties for late registration. In any case it should be monitored month-by-month.
- 11.9.4 A Private (non-council) fund may register for VAT even if its turnover is below the threshold, but seek advice before a decision is made to register. HMRC Notice 700/1 "Should I be registered for VAT?" gives more information about registering for VAT and is available free from the National Telephone Advice Service on **0845 010 9000**.
- 11.9.5 Note that HMRC do not allow schools' Private (non-council) funds to be disaggregated in order to keep each individual fund or account below the threshold. If HMRC believe that the funds are not fundamentally separate entities, they will treat them all as one fund. However, it is generally accepted that Governors' funds and PTA funds, for example, are separate and distinct, as each will have its own constitution. If your school maintains other private (non-council) funds, you should seek advice as to whether they can be treated separately for VAT purposes.
- 11.10 Purchases Made from Private (non-council) funds**
- 11.10.1 Income and expenditure relating to Private (non-council) funds must not be accounted for through the official Council accounts. Unless the Private (non-council) fund is registered for VAT, the Governors will not be able to recover VAT on purchases.
- 11.10.2 Where the goods to be purchased using the Private (non-council) funds are for educational use, the school can take advantage of a concession which allows LBH, and hence its schools, to recover VAT incurred on purchases made with donated funds for specific purposes, provided that LBH/the school:
- places the order
 - receives the supply
 - receives a VAT invoice addressed to it; and
 - makes the payment from its Council funds.
- 11.10.3 The school must keep sufficient records for proof of purchase and to identify the purpose for which it was made.
- 11.10.4 In practice, the purchase would require:
- the Private (non-council) fund to make a donation to the school's Council funds for the net amount (i.e. exclusive of VAT) for the item they wish to purchase for the school
 - LBH or the school to procure the goods, pay, and recover the VAT in the normal manner; and
 - LBH or the school to retain legal ownership of the goods.

11.10.5 “Retention of ownership” and the “use for educational purposes” are conditions designed to make sure that purchases are not made on behalf of third parties. One of the implications of these conditions is that any item purchased is LBH’s property. For example, a minibus purchased through the school’s Council funds with funds donated from its Private (non-council) fund would become LBH’s property, and must be used as part of the provision of education. If the school later sells the minibus, VAT must be charged on the sale price because LBH is VAT registered. The proceeds must be paid into the school’s Council funds and the VAT accounted for in the normal way.

11.10.6 This concession must not be used to purchase goods for use by governors, the PTA or similar groups. For example, a computer to account for Private or PTA funds; or to obtain an unjust tax benefit where the responsibility is that of a particular group. If you are in any doubt, please seek advice from LBH’s Senior Accountant VAT & Tax.

11.11 VAT on Income

11.11.1 VAT is chargeable on the supply of goods or services where such supplies are made in the course or furtherance of business. The first decision to be made is whether the charge relates to a business or non-business activity. If the charge relates to a non-business activity, the transaction is outside the scope of VAT, so VAT is not applicable. If the income relates to a business activity it is necessary to determine the VAT liability of the supply (standard, reduced, zero or exempt).

11.11.2 It is essential that the correct liability is established and the right amount of VAT is declared if assessments, penalties and default interest are to be avoided. Determining the VAT liability for each supply and charging output tax is the responsibility of the person making the supply - referred to as the ‘taxable person’.

11.11.3 VAT should not be charged on internal transactions, i.e. where supplies are made to other parts of LBH.

11.11.4 Schools must ensure that:

- VAT is charged at the correct rate on supplies that are subject to VAT
- VAT charged is accounted for according to the VAT liability of the supply
- where a standard-rated supply is made, a VAT invoice is provided, if requested by the person to whom the supply has been made. Failure to issue a VAT invoice when requested by a taxable person may result in a financial penalty.
- VAT is correctly recorded in the School’s accounts.



See **Appendix 11.4** for a sample schools VAT invoice.

11.11.5 The school should only charge VAT on standard and reduced-rated supplies made through the Council fund.



See **Appendix 11.5** for a sample list of business supplies and their VAT liability.

11.11.6 VAT collected by the school from such supplies should be itemised on the monthly VAT Reimbursement Claim (Submittal Report on FMS6).

11.11.7 Cash income is received from a number of sources, so it is essential that any VAT element be correctly identified. Schools must maintain adequate records regarding the receipt of cash income and the VAT liability that has been applied in accounting for the receipt.

Use the following calculations to find the VAT element in a gross amount, and the amount exclusive of VAT:

Gross Amount x 17.5 = VAT Element

117.5

Gross Amount x 100 = Amount Exclusive of VAT

117.5

The VAT fraction for 17.5% can be simplified to 7/47, for example:

VAT Element = per current rate Gross amount x 7/47

Amount Exclusive of VAT = per current rate Gross amount x 40/47

11.12 Sale of Goods Incidental to Education

11.12.1 Hackney's schools may charge for goods or services sold to pupils that are closely related to the provision of education. These goods are for the direct use of pupils normal school curriculum activities. Items sold must be portable and be brought into school at least once a week. Where supplies are provided at or below cost, they are non-business supplies and outside the scope of VAT.

11.12.2 Any input VAT incurred in the purchase of goods and services for sale to pupils can be recovered by the school, subject to the purchases having been made through the school's LEA funds. HMRC have issued standardised procedures from the 1st September 2002. The following rules should be applied to determine whether goods/services are closely related to education:

1. The goods and services must be closely related to the education provided, i.e. they must be for the direct use of the pupil and necessary for delivering education to him or her.
2. The pupil must receive education from the LEA in either an LEA maintained school or in connection with some other LEA run educational activity (such as an orchestra).
3. The goods and services required must be purchased from the LEA. This means that the LEA must hold title to the goods, and transfer ownership to the parent, guardian or pupil purchasing them. However, the delivery address and point of distribution is a matter for the individual LEA to determine.
4. Payment for the goods must be made either to the LEA or to the school. If paid to the school, it must be paid into the school's official funds.
5. Some evidence (e.g. order form) must be kept to show that the recipient of the goods/services has been receiving education from the LEA, and that the item(s) supplied was essential to that education. The style of the order form can be tailored to the needs of the LEA.
6. The price of the goods/services must be at or below cost; there must be no intention to make a profit. "Cost" means the full overhead-inclusive price of supplying the goods/services to the pupil and includes, for example, the costs associated in administering the charges.

7. Where goods are leased, the same rules will apply as for sales.

11.12.3 Goods incidental to education are goods/services closely related to the education provided, and includes pens, exercise books, drawing materials, mathematical instruments etc. The definition of goods incidental to education does not apply to goods supplied directly to a pupil by a trader.

11.12.4 Supplies that are not closely related to the provision of education are generally taxable. These may include:

- Supplies to staff (including summer school tutors) and other non-students
- Sales of goods from schools shops
- Sales from vending machines
- Sales of goods not needed for regular use in class
- Sales of school uniforms and sports clothing
- Admission charges (other than for taking part in sports activities) – for example, admission to plays, concerts, dances, sporting venues, exhibitions, museums etc.
- Administration and management services
- Commission for allowing sales by outside organisations at an educational establishment
- Sales by a sole proprietor or partnership in connection with private tuition.

11.12.5 Laptop Computers: Where all of the above conditions are met, and subject to the following stipulations, schools may sell laptop computers to their pupils without charging VAT:

- Orders should not be placed until such time that payment has been received from the purchaser and the payment has been cleared.
- It is the responsibility of the school to take whatever steps it considers necessary to ensure that warranties etc. can legally be transferred to the purchaser. It is recommended that the school obtain written confirmation to this effect from the supplier concerned, and that a copy of the confirmation is passed to the purchaser. Please note that the school may have to provide the purchaser with a receipted invoice (payment received in full) in order to evidence that ownership has been "transferred".

11.12.6 **Sale of Laptop Computers to Teachers and Parents:** Sales of computer equipment by LEA schools to either parents or teachers are not considered to be closely related to the provision of non-business education to the pupils and therefore cannot benefit from non-business treatment even if supplied at or below cost. Thus, any payments received by the LEA are business and standard rated. However, if equipment is provided to a teacher under the Government's Home Computer Initiative, and it is used for the teacher's "business" of teaching, LBH can recover the VAT on the cost.

11.13 Council Sales of Closely-related Supplies to Non-LBH Pupils/Students

11.13.1 Schools may treat as non-business any closely-related goods and services they supply direct to pupils of other schools and to the students and trainees of eligible bodies such as FE colleges and universities. For example, if the school shares a

catering outlet with another educational institution, it should not charge VAT on the meals it provides direct to the pupils or students of that institution.

- 11.13.2 Although LBH is an eligible body, it may not exempt any closely-related goods and services it supplies to other eligible bodies unless it also supplies the education or training itself. The exemption for closely-related supplies between eligible bodies applies only when LBH is making a principal supply of education or training to the recipient organisation.

11.14 Sale of School Uniforms and Sports Clothing/Equipment

- 11.14.1 Sales of school uniforms and sports clothing/equipment (including plimsolls and swimming bags) are specifically excluded from the scheme outlined in 11.12.1 – 11.12.4 above. It is not generally appropriate to pay for such items from the school's Council funds unless the school is to retain ownership. This is because VAT would need to be declared on sales to pupils except where the items qualified for zero rating.
- 11.14.2 Most schools operate sales of uniforms and/or sports clothing and equipment through the school's Private (non-council) fund. If the annual level of sales made through the account is below the VAT registration threshold, such sales can be operated on a recovery of cost basis. Note that no VAT can be recovered on purchases made through this account.
- 11.14.3 Current legislation provides that articles designed as clothing or footwear for young children, which are not suitable for older persons, can be zero rated. HMRC have defined the upper age limit of a "young child" to be the eve of the child's 14th birthday. Generally, garments will only be zero rated if they do not exceed the body sizes of an "average" thirteen-year-old (see the following table).

	Boys		Girls	
	Cm	Inches	Cm	Inches
Height	163	64.0	161	63.0
Chest	84	33.0	85	33.5
Waist	70	27.5	69	27.0
Hips	85	33.5	90	35.5

Golden Rule: If the supplier charges the school VAT on certain sizes, you should charge VAT when the same uniforms are sold on to pupils.

- 11.14.4 Schools providing exclusively for pupils under 14 years of age may zero-rate supplies of garments bearing a prominent badge or logo which identifies them as part of the school uniform, irrespective of size.
- 11.14.5 Whichever fund sales of uniforms are processed through, it is beneficial to obtain zero-rating where the conditions can be satisfied, as the cost to the pupil will then be free of VAT. It is recommended that the application of zero-rating is confirmed and agreed with the supplier.

11.15 VAT Liability of Lettings

- 11.15.1 The following table shows the VAT rate applicable for letting sports and non-sports facilities:

	Sports Facilities	Non-sports Facilities
Used for Sport	Standard Rate	Exempt
Used for non-sport	Exempt	Exempt

- 11.15.2 **Hire of Non-Sports Facilities:** letting non-sports facilities includes the hire of rooms. Room hire is VAT exempt where the room includes:
- tables and chairs
 - tables and chairs and hire of a kitchen where the hirer can prepare their own food and drink
 - access to a bar where the bar is operated by the Local Authority who account for VAT on the takings.
- 11.15.3 **Sports Facilities:** letting facilities designed or adapted for playing sport or for physical recreation is normally subject to VAT at the standard rate. Lettings may only be exempt from VAT if certain conditions are met (see conditions below). Facilities designed for sport can be either land or property and could include tennis courts, squash courts, cricket pitches and football pitches. Facilities adapted for sport include general-purpose halls that have fixed basketball nets or bars. General-purpose halls that only have floor markings (e.g. for playing badminton) are not classed as sports facilities, and letting these for sport/recreation is VAT exempt.
- 11.15.4 A sports facility let for sport is VAT exempt for single lets of over 24 hours, when let to the same person who has exclusive control of the facility throughout the period.
- 11.15.5 Letting sports facilities for sports may be also exempt from VAT, provided all the following conditions are met:
- the series consists of 10 or more lets
 - each session is for the same sport or activity
 - each session is in the same place. This includes different pitches, lanes or courts within the same premises
 - the interval between each session is at least one day and not more than 14 days (although the duration of each session can be varied). Letting for every Monday afternoon would fulfil this condition. However, there is no exception for intervals that are longer than 14 days due to closure, e.g. for public holidays.
 - the series is paid for as a whole and there is written evidence to that effect. This must include evidence that payment is to be made in full for the series whether or not the right to use the facility for any specific session is actually exercised. A formal agreement, exchange of letters, or an invoice issued in advance requiring payment for the sessions specified on the invoice would be sufficient evidence.
 - provision for a refund can only be made in the event of the unforeseen non-availability of the facility. A refund in any other circumstances would breach the exemption conditions and all sessions used would be subject to VAT at the standard rate

- the sports facilities are let to a school, club, association or an organisation representing affiliated clubs or constituent associations (such as a local league). This does not include informal groups of people or commercial organisations.
- the person to whom the facilities are let has exclusive use of them during the session.

11.15.6 **Definition of Club or Association:** clubs and associations that have a constitution and collect subscriptions from their members, but may be incorporated or unincorporated.

11.16 School Trips

- 11.16.1 When organising a school trip you will need to decide whether the trip is to be accounted for through the school's Private (non-council) fund or through Council funds. You must ensure that all income and expenditure in connection with a particular school trip is accounted for through the same fund. However, it is acceptable for different visits to go through different funds.
- 11.16.2 The school must not account for VAT on school trips administered through the Private (non-council) fund if the Private (non-council) fund is not VAT registered. The school should not recover any VAT it has paid in connection with the trip and should not deduct VAT from any payments received from pupils or their parents. If as a result the Private (non-council) fund's taxable turnover exceeds the statutory threshold, the fund must register for VAT. (See *Section 11.9 – Private (Non-Council) Funds*, above.)
- 11.16.3 Where a school trip is accounted for through LBH's funds you will need to determine the nature of the trip. If the school trip is educational and forms an agreed part of the curriculum it can be treated as a non-business activity and there is no need to charge VAT on contributions from pupils and teachers. The Education (National Curriculum) Attainment Target and Programme of Study in Physical Education Order 1992 is quoted as a statutory reference for the core of teaching in this area, in which educational school trips play a part.
- 11.16.4 There is no longer a requirement for charges to pupils be subsidised in order for the visit to be regarded as non-business.
- 11.16.5 Any VAT paid by the school for a trip that is in some way related to the school curriculum can be recovered, and no VAT should be deducted from income received from pupils or their parents.
- 11.16.6 In case HMRC decides to query whether or not a particular school trip is educational, the Headteacher should keep a written record confirming that, in the opinion of the Headteacher, the school trip is of educational value and related to the curriculum.



See **Appendix 11.6** for a sample school trip approval form.

- 11.16.7 Any trip arranged by the school that is not related to the curriculum is regarded as a business activity for VAT purposes. Such trips should not normally be accounted for through Council funds. Providing the school's Private (non-council) fund is not registered for VAT, this will not cause any problems. However, if the Private (non-council) fund is VAT registered there may be the need to apply the

Tour Operators Margin Scheme (TOMS). If you think that you need to apply TOMS to a school trip, you should seek advice from LBH's Senior Accountant VAT and Tax.

- 11.16.8 HMRC have indicated that nearly all school trips will be able to meet the requirement of being related to the school curriculum. It would be unusual to find a school trip treated as a business activity.

11.17 School Photographs

- 11.17.1 The VAT treatment of school photographs depends on the arrangements for sale.

a) Sale of Photographs by the Photographer Directly to Pupils/Parents

If the Headteacher has full control over the funding received from non-Council sources and acts as agent of the governors, the governing body (if registered) must account for VAT on its supply to the photographer for the use of the premises and facilities. Monies will be paid into the Private (Non-Council) Fund. Unless the Private (Non-Council) Fund is VAT registered there will be no VAT on commission received from photographers and monies received should not be paid into the official Schools Council funds.

b) Sale of Photographs by the Photographer to the School

VAT at the standard rate must be declared on the full price paid by the parents for the photographs. Where the Private (Non-Council) Fund is registered for VAT, the school must declare VAT on the full price and is entitled to recover VAT charged by the photographer on their fees. Where the Private (Non-Council) Fund is not registered (and the total value of sales by the photographer to the school and/or other registered persons for resale exceeds £50,000 per annum) the school must issue a Notice of Direction (NOD), which requires the photographer to account for VAT on the full selling price. (Please contact LBH's VAT Accountant if this needs to be done).

- 11.17.2 How do you decide whether the arrangement is (a) or (b)?

To distinguish between the two scenarios above, you need to consider the following questions:

1. **Who has title to the Photographs?** i.e. who has responsibility for faulty goods, and who will suffer financially if a parent does not pay. If the school has these responsibilities this would imply that the school has bought the photographs from the photographer and then made an onward sale to parents. If the photographer bears these responsibilities then he has made a direct sale to the parents and title to the photographs remains with him.
2. **Who sets the price?** If the school determines the final selling price to the parents after addition of a mark up to the fee paid to the photographer, this would imply that the school has bought the photographs from the photographer then made an onward sale to parents. If the photographer sets the price by labelling packages of photographs at a pre-arranged price, then he is selling direct to the parents.
3. **What is the school's fee based upon?** If the school is selling photographs to the parents, it pays a set fee to the photographer, and the amount the school earns is determined by how much the parents are willing to pay. The photographer may reduce the price that the school pays to him

if the school undertakes extra duties, e.g. collecting and sorting money. This would suggest that the photographer is selling the photographs direct to the parents, with the school in turn providing a package of services to the photographer.

11.18 Breakfast and After School Clubs

- 11.18.1 Where a school provides for its pupils to attend before (breakfast) and after school clubs, these supplies may be treated as closely related to education and therefore non-business when supplied at or below cost.
- 11.18.2 This applies even where the activities do not appear to be linked to the curriculum, for example, snooker and football, as they are considered to be “social education”.
- 11.18.3 If the charges are made above cost, the supply will be considered to be exempt business. This will not change the VAT status unless LBH’s partial exemption threshold of 5% is exceeded (see paragraph 11.3.5).

11.19 Telephone Income

- 11.19.1 Where a payphone is rented from a supplier, the person renting the machine makes supplies to the users and VAT is due on this income.
- 11.19.2 Income from recharges to staff for private use of the telephone is subject to VAT at the standard rate.

11.20 Sales of Stationery and Other Office Supplies

- 11.20.1 Sales of stationery sold as not incidental to the supply of education is subject to VAT at the standard rate.

11.21 Donations

- 11.21.1 Where a school receives a donation, which is freely given, it is outside the scope of VAT providing that the school does not provide anything in return. When there is a condition attached to a donation that gives a donor some kind of benefit, for example, free tickets or preferential booking to a school show or concert, advertising in some form or other etc., then the donation is subject to VAT. A simple acknowledgement of the donation is permitted. For example, a name plaque.

11.22 Sponsorships

- 11.22.1 Sponsorships may be treated as donations providing the support is freely given and secures nothing in return. A taxable supply will not arise by a simple acknowledgement of support but will be created where, for example, the school in return displays the sponsor’s logo in some fashion or names the event after the sponsor.

11.23 Supplies of Teaching Staff

- 11.23.1 Where a school provides staff to another education provider, that supply is seen as being an exempt supply of the school where the staff are used in an educational capacity associated with the provision of education to students. For example where a teacher is seconded to a further education college and is

involved directly in the provision of education to students at the school, or a laboratory assistant is seconded to a further education college and assists in classes for the college's students, both of these supplies will be treated as exempt activities for the school.

11.24 Catering

- 11.24.1 The whole school site is now considered to be an “outlet” for the purposes of catering. Therefore, all food and drink sold by the school from outlets such as cafeterias, snack bars, tuck shops, trolleys and vending machines, will be added together and treated in the same way no matter where they are located within in the school site.
- 11.24.2 The treatment of supplies of meals to staff and visitors is subject to VAT at the standard rate, where sales cannot be separately identified a reasonable basis of apportionment must be agreed with HMRC. Supplies of food and drink to staff and visitors will be subject to VAT depending on the VAT liability of the item sold.
- 11.24.3 The treatment of catering supplies by Council schools to its pupils is non-business and outside the scope of VAT, provided the charge made is “at or below cost”. Catering supplied “at or below cost” is considered to be incidental to the provision of education and includes the sale of taxable foods.
- 11.24.4 The non-business treatment for sales of catering to pupils is subject to the total of all sales of food and drink for the whole school (outlet) for the school year being “at or below cost”. “Cost” means the fully overhead inclusive cost of bringing the food and drink to the pupils and includes the labour costs associated with cooking and serving meals and the revenue costs of running the kitchens.
- 11.24.5 Should a school fail to meet the “at or below cost” condition it will be necessary to make a separate calculation for each outlet, such as the cafeteria or vending machine, and to treat as business only those where income was greater than cost incurred. Where an outlet exceeds cost the supplies of that outlet will be treated as one of catering at the standard rate of VAT, and output tax will need to be declared to HMRC.
- 11.24.6 This treatment applies only to sales of food and drink by the local authority school to its pupils and from outlets operated by either the local authority itself or the governing body. It does not apply to sales made by catering contractors as principal.

11.25 Voluntary Aided Schools — Buildings Related Expenditure

- 11.25.1 The Governors of Voluntary Aided schools, not LBH, have the responsibility for their school buildings, built-in equipment, 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 LEA 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 LEA 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.
- 11.25.2 VAT incurred on this type of expenditure by the school Governors will only be recoverable if they are registered for VAT. For this reason, grant funding received for buildings work will be for the VAT inclusive amount and this will ensure that VAT does not represent an additional cost to the Governors.
- 11.25.3 LBH may decide to undertake or partly fund buildings related expenditure, which is the responsibility of the Governors of a Voluntary Aided school. Where LBH instigates and undertakes a project, fully using its own funds to pay for goods and services which it then gives away without charge to the Voluntary Aided School, this is a non-business activity of LBH. It is entitled to recover the VAT irrespective of who is actually responsible for carrying out the work. Customs will allow LBH to recover any VAT incurred on this non-business expenditure to the extent to which LBH has funded the work and LBH must contract for this work and make payment from LBH funds.
- 11.25.4 LBH is entitled to recover VAT on purchases made by a Voluntary Aided School to the extent that the funding is sourced from, or through, the LEA. This includes delegated budget funding, additional funds from the LEA or other local authority budgets, and monies from other agencies such as the DFES that have been passed down from through the LEA.
- 11.25.5 However, LBH is not able to recover VAT when it pays for buildings-related expenditure. It is the responsibility of the Governors at a Voluntary Aided School when it uses monies donated by the Governors of that school.
- 11.25.6 LBH is not able to recover VAT where the DFES has made any form of grant direct to the governors to fund work that is the governor's responsibility. Nor can LBH recover VAT in respect of work, funded for example by the National Lottery Grant, where it is clear that the award has been made to the governors rather than to LBH. Under these circumstances it is not sufficient that the cheque be made out to LBH when the reality is that the money is being awarded to the Governors.
- 11.25.7 Capital work where a grant is available from the DfES: The Governors of a Voluntary Aided School, unless registered for VAT, cannot recover the VAT on either expenditure funded from the 90% DfES contribution, or their own 10% contribution. Please note that the 90% grant from the DfES 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.
- 11.25.8 The accounting for these works should be done through the governors' accounts.
- 11.25.9 The DfES will only pay grants into the school governors' bank account.
- 11.25.10 For revenue maintenance and other running costs, where funding comes from the school's delegated budgets VAT can be recovered.
- 11.25.11 Schools should direct any queries to their diocesan representative or LBH's Senior Accountant VAT and Tax.

Appendix 11.1 - Typical Items of Expenditure and their VAT Liability

Please note that items purchased from a business that is not VAT registered will not show VAT even if the item is listed as liable to VAT. Such purchases are outside the scope of VAT.

Standard Rate (17.5%)	VAT at 5%	Zero-rated	VAT Exempt
<ul style="list-style-type: none"> • Accountancy services • Agency Staff • Bottled water • Cars and Vans • Catering services • CDs, CD ROMS, cassette tapes • Cleaning materials • Computers, printers, photocopiers, etc. • Contract Cleaning • Crisps, chocolate, chocolate biscuits, soft drinks, fruit juice, ice cream • Educational equipment (purchase/rental) • Exercise books • Fixtures & Fittings • Fuel/power to commercial buildings • Furniture/equipment • General consumables • General repairs (structural equipment) • Grounds Maintenance • Laundry • Medical Supplies (not prescriptions) • Pest Control • Photocopier leasing • Postage & Packing (unless provided by Post Office) • Printing & Stationery • Refuse Collection • Sports Equipment • Taxi Hire (if VAT registered) • Window Cleaning 	<ul style="list-style-type: none"> • Fuel/power to domestic and charity buildings for a qualifying purpose • Women's sanitary products • Children's Car seats • Installation of energy saving materials 	<ul style="list-style-type: none"> • Books - text books, library books, children's picture books, music books, painting books • Children's clothing (including cycle helmets) • Domestic water & sewerage • Journals, newspapers, maps, charts • Milk, tea, coffee • Most basic food items • Passenger transport (10 or more passengers) • Public Transport 	Bank charges & monetary transactions Examination entry fees Examination Services Insurance by an Insurance Broker Lotteries, raffles, tombolas Most land transactions (Lettings, Leases, Sales) Postal Services provided by the Post Office Vocational Training
			Outside the Scope of VAT
			<ul style="list-style-type: none"> ▪ Charitable Donations ▪ Grants ▪ Rates/Water Rates ▪ Salaries and Wages ▪ items purchased from a business that is not VAT registered (even if the item is listed as liable to VAT). ▪ Invoices received from LBH

Appendix 11.2 - Sample VAT Invoice for Purchases Over £250

Name & Address of Supplier	Invoice Number
	Date of Supply
VAT Registration Number	Issue Date (if different from Supply Date)
Name & Address of School	

Description	
Description of goods/services, including quantity/extent of services and unit price	Net Amount (per item)
	Total Net Amount
VAT Rate applied:	Total Amount of VAT
Rate of cash discount:	Cash discount offered (if applicable)
	Total Amount Payable, including VAT

Appendix 11.3 – Sample VAT Invoice for Purchases Under £250

Name & Address of Supplier	Invoice Number
	Date of Supply
VAT Registration Number	

Description	
Description of goods/services, including quantity/extent of services	Total Amount
VAT Rate applied:	Amount of VAT
	Total Amount Payable, including VAT

Appendix 11.4 – Sample Schools VAT Invoice for a Supply Over £250

Name & Address of School	Invoice Number
	Date of Supply
VAT Registration Number	Issue Date (if different from Supply Date)
220 5529 98	
Name & Address of Customer	

Description	
Description of goods/services, including quantity of goods/extent of services and unit price	Net Amount (per item)
	Total Net Amount
VAT Rate applied:	Amount of VAT
Rate of cash discount:	Cash discount offered (if applicable)
	Total Amount Payable, including VAT

Payment Terms:

Appendix 11.5 – Sample Business Supplies and their VAT Liability

Standard Rate (17.5%)	VAT at 5%	Zero-rated	VAT Exempt
<ul style="list-style-type: none"> • Accountancy or consultancy services supplied to an external organisation • Admission charges for example admission to plays, concerts, dances, sporting venues, exhibitions, entertainments, museums, and art galleries. • Advertising services • Car parking • Catering services supplied to an external organisation • Cleaning/laundry services • Commission on sales. e.g. at artists' exhibitions • Conference income • Equipment and vehicle hire • Consultancy services supplied to an external organisation • Gas, electricity and fuel oil supplied to commercial buildings • Hire of cassettes, videos and CDs, including charges for late returns • Non-food vending machines • Private photocopying to staff or external organisations • Private street works • Private telephone calls to staff or external organisations • Provision of parking facilities • Reinstatement work to highways (if requested) 	<ul style="list-style-type: none"> • Gas, Electricity and Fuel Oil Supplied to domestic or charitable non-business buildings • Sale of women's sanitary products 	<ul style="list-style-type: none"> • Sale of Books, leaflets & pamphlets • Sale of school publications, newspapers, journals, periodicals, brochures, booklets • Design/printing work where the final product is a book, leaflet or pamphlet • Passenger transport fares (bus and coach) • Bus or coach hire with a driver provided where the vehicle carries not less than 10 passengers 	<ul style="list-style-type: none"> • Vocational training supplied to external organisations • Supply of education for which a fee is charged to external organisations • Staff seconded to another education provider used in an educational capacity associated with the provision of education to students. • Car Boot Sales (charges to stall holders) • Lease/letting council property on a commercial basis (mostly exempt with an option to tax) • Note: Lettings of playing fields or sports halls where the hirer will use the facilities are standard-rated. • There are special rules relating to the long-term hire of sporting facilities, which allow exemption of the hire if certain conditions are

<p>to do so)</p> <ul style="list-style-type: none"> • Sale of second-hand goods/ commercial vehicles & scrap • Sale of videos • Sales to staff, e.g. stationery, School Dinners • Secondment of staff (with the exception of staff seconded to another education provider used in an educational capacity associated with the provision of education to students – this would be an exempt supply) • Sponsorship, when a benefit is supplied to the sponsor • Testing/repairing equipment 			met.
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Appendix 11.6 – Sample School Trip Approval Form

PROPOSED SCHOOL TRIP:

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SECTION ONE – TO BE COMPLETED BY THE TEACHER PLANNING THE PROPOSED TRIP

Date(s) of Proposed Trip:

Details of the proposed trip, including all activities to be undertaken:

.....

.....

.....

.....

.....

.....

.....

SECTION TWO – TO BE COMPLETED BY THE HEADTEACHER

It is my opinion that the proposed trip relates to the agreed curriculum in the following ways:

.....

.....

.....

.....

.....

NAME: (Block Capitals)

Signed: Date:

VOLUNTARY FUNDS

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12 VOLUNTARY FUNDS

12.1 Voluntary Funds held by the School

- 12.1.1 The guidance in this section deals with Voluntary Funds held by the school. Other funds held by bodies who maybe closely associated to the school but not part of the school, such as Parent Teacher Associations, are excluded from this guidance and should be held completely separate from any school funds.
- 12.1.2 The Headteacher must inform the Assistant Director Finance at The Learning Trust of the existence of any official fund, the name(s) of the person(s) responsible for its operation and the bank account details. There are no specific forms to be completed; a letter giving the details will suffice.
- 12.1.3 Schools Voluntary Funds are not part of LBH's VAT registration and need to be separately VAT registered if the total annual taxable turnover exceeds the statutory threshold. From 1st April 2005, the threshold is £60.000. HRMC do not allow schools' Voluntary Funds to be disaggregated in order to keep each individual "fund" or accounts below the transaction threshold.
- 12.1.4 Many of the same rules apply to voluntary fund banking arrangements as to the school's main bank account.




Please refer to **Section 10 - School Bank Accounts**, for details.

12.2 Expenditure Funded by Donation from the Voluntary Fund

- 12.2.1 In practice, most expenditure will go through a school's main bank account. Any employee expenditure should go through the school's payroll service and therefore the bank account. Any goods and services that attract VAT should go through the bank account so that it can be reclaimed. Expenditure through the voluntary fund is not subject to the same VAT exemptions.
- 12.2.2 Because of this, often the most efficient way of operating the Voluntary Fund is to put all educational expenditure through the main bank account , then make a reimbursement from the Voluntary Fund.
- 12.2.3 Non-educational expenditure such as purchasing flowers for an individual should be part of the Voluntary Fund.
- 12.2.4 All invoices, receipts etc. must be recorded in a ledger book or equivalent .
- 12.2.5 Schools can obtain Excel-based accounting aide from the Learning Trust's Schools Support (Finance) Team, if required.

12.3 Audit of Voluntary and Private Funds

- 12.3.1 Schools must maintain detailed records for each of their voluntary or private funds. This excludes funds held by trustees or foundations for their own benefit. Voluntary or private funds typically include Parent Teacher Associations, Voluntary Aided School Funds etc.
- 12.3.2 In accordance with the Scheme for Financing Schools, schools must provide School Fund & Audit certificates to The Learning Trust Schools Support (Finance) Team in respect of any voluntary or private funds held, and for the accounts of any trading organisations controlled by the school.

- 12.3.3 Certificates must be provided to The Trust for the year ending 31st March each year and must be provided within 6 months of the year end, i.e. by 30th September.
- 12.3.4 The annual Statement of Accounts must be produced by the school and certified by an independent examiner. The certified Certificate must be received and approved by the Governing Body annually.
-  The format of the certificate is not prescribed, but a sample School Fund Account & Audit Certificate is provided in **Appendix 12.1**.
- 12.3.5 The independent examiner must be an independent person who is believed by the Governing Body to have the requisite ability and practical experience to carry out a competent examination of the accounts.
- 12.3.6 For a person to be independent, the individual should have no connection with the Governing Body as this might inhibit the impartial conduct of the examination.
- 12.3.7 The independent examiner need not be a practising accountant but must be competent for the task and familiar with up-to-date accounting methods. Practical experience might be:
- involvement in the financial administration of another private or voluntary school fund or a charity;
 - having acted successfully as an independent examiner on previous occasions for such charities; or
 - relevant practical experience in accountancy or commerce.
- 12.3.8 Schools may wish to consider inviting appropriately competent and experienced bursars of neighbouring schools to undertake the certification of their accounts.
- 12.3.9 In cases where there is a profit making venture (e.g. tuck shop) contributing to the fund, a profit statement should also be prepared at least once a year (preferably more often).

12.4 Insurance

- 12.4.1 The Governing Body must ensure that the school has appropriate insurance cover for voluntary school funds and other funds (e.g. PTA funds).
- 12.4.2 The amount covered should equate to the maximum amount held.
- 12.4.3 PTA funds are not usually covered by general insurance held at school. The school should ensure that separate insurance is taken out to cover any funds held by the PTA, the cost of which must be met by the PTA.

Appendix 12.1 – Sample School Fund Account & Audit Certificate

School Fund					
School Fund Statement ending xx/xx/xx					
RECEIPTS			PAYMENTS		
	CASH	BANK	TOTAL		
Balance Brought Forward	£0.00	£4,281.00	£4,281.00		
GLS			£0.00	GLS	£109.96
A to Z Supplies			£0.00	A to Z Supplies	£924.93
TravelBus Co.			£0.00	TravelBus Co.	£68.24
Post Office			£0.00	Post Office	£1,062.00
Lush			£188.20	Lush	£380.90
The Junction			£0.00	The Junction	£120.00
M & S			£0.00	M & S	£1,021.10
The Bailey			£0.00	The Bailey	£35.82
Hen & Chickens			£0.00	Hen & Chickens	£44.27
Stationers Ltd			£0.00	Stationers Ltd	£124.14
		TOTAL RECEIPTS	£188.20	TOTAL PAYMENTS	£3,891.36
		GRAND TOTAL	<u>£4,469.20</u>	Balance Carried Forward	<u>£577.84</u>
					<u>£4,469.20</u>
Balance Carried Forward	£0.00	£577.84	£577.84		

I (we) have obtained all the information and explanations which in my (our) opinion were necessary for the purpose of the examination. In my (our) opinion, proper books have been kept and the above statement of account is in agreement with the books of account, and in my opinion presents fairly the affairs of the fund.

Signed

(Auditor of school fund (not involved in the day to day administration of the school fund account))

Date.....

GLOSSARY OF TERMS

<i>Academic Year</i>	Period running from the start of the school Autumn Term (September) to the end of the Summer Term (July), as opposed to a Financial Year.
<i>Asset Register</i>	Also called an Inventory. A record of assets owned by an organisation.
<i>Audit (External)</i>	The statutory investigation by auditors appointed by the Audit Commission for Local Authorities in England & Wales
<i>Audit (Internal)</i>	The process of checking that a school has procedures in place to meet financial requirements, and that it adheres to those procedures
<i>Authorised signatory list</i>	Formal list of a school's employees whom the Governors have agreed may sign cheques (within stated financial limits), authorise payments through payroll and/or make changes to payroll records.
<i>BACS</i>	Banks Automated Clearing System - enables automatic payments to be made from one bank account to another in the UK, and can be used for paying salaries and other regular payments, as well as direct debits.
<i>Balance Sheet</i>	A snapshot of a business' financial condition at a specific moment in time, usually at the close of an accounting period.
<i>Bank Reconciliation</i>	Checking that the school's bank account transactions match those recorded in the school's financial system.
<i>Best Value statement</i>	A Governing Body statement outlining approaches taken to achieve Best Value for money.
<i>Budget</i>	An organisation's plan expressed financially. A sum of money allocated for a particular purpose.
<i>Budget Virement</i>	A movement of funding from one budget heading to another.
<i>Capital expenditure</i>	Spending on the acquisition, enhancement or replacement of buildings and the acquisition, renewal or replacement of plant, machinery and major items of equipment
<i>Cash book</i>	A record of cash payments and receipts, shown under various categories. In the context of this document, it is the record as presented on the school's accounting system.
<i>CFR</i>	Consistent Financial Reporting (see below).
<i>CHAPS</i>	Clearing House Automated Payment System - a UK payment system for making cash payments in £ Sterling. The recipient receives same day funds.

<i>CIPFA</i>	Chartered Institute of Public Finance & Accountancy - the accounting body that defines accountancy policy for the Public Sector.
<i>Consistent Financial Reporting (CFR)</i>	A Department for Education & Skills (DfES) initiative to define a consistent financial reporting methodology for all schools.
<i>Construction Industry Scheme (CIS)</i>	Inland Revenue tax deduction scheme for people working in the Construction Industry.
<i>Creditor</i>	A person to whom money is owed by a debtor; someone to whom an obligation exists.
<i>Debtor</i>	A person/entity who owes a creditor; someone who has the obligation of paying a debt.
<i>Debtor Account</i>	The customer's account.
<i>Delegated Authority</i>	Authority given to groups or individuals to make decisions on behalf of the Governing Body.
<i>Delegated funding</i>	The school budget share allocated via the Fair Funding formula.
<i>Devolved funding</i>	Money allocated by the Local Education Authority separate from the delegated funding typically provided for particular institutions. Year-end reporting may be required.
<i>Fair funding</i>	The principles governing the financing of maintained schools.
<i>Federated Governing Body</i>	A collaboration between schools where one Governing Body manages the finances of more than one school.
<i>Finance Sub-Committee</i>	A sub-group of the Governing Body
<i>Financial Year</i>	The financial year for schools runs from 1st April of a calendar year to 31st March of the following year. It is also referred to as the fiscal year.
<i>HRMC</i>	Her Majesty's Revenue & Customs (formerly Customs & Excise)
<i>Outturn figures</i>	A summary of budget spend for the financial year.
<i>Input tax</i>	<i>Input Tax</i> - VAT that the supplier pays. When a registered supplier receives a taxable supply in the course of their business.
<i>Output tax</i>	<i>Output Tax</i> – VAT the customer pays. When a registered supplier makes a taxable supply, e.g. a sale, the VAT charged to the customer.
<i>Petty Cash</i>	A cash float used to make small and urgent payments for certain expenses incurred by staff.
<i>School Profile Statement</i>	A document detailing a school's staffing structure
<i>Trial Balance</i>	A list of accounts and their balances at a point in time; the

	total debit balances should equal the total credit balances.
<i>Unreconciled items</i>	Items recorded in an organisation's accounting system cash book, but not yet cleared through their bank account.
VAT	Value Added Tax – a tax levied on the difference between a commodity's price before taxes, and its cost of production.
WEEE	Waste Electrical and Electronic Equipment – legislation that sets out the requirements for disposing of electrical/electronic equipment