

FULL CHEQUE BOOK SCHEME**Key Contacts**

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Full Cheque Book Scheme

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Full Cheque Book Scheme

1. Introduction

- 1.1 Most schools continue to use the banking, payments, and payroll services of the City Council. If schools wish to continue with this arrangement, this chapter of the Schools Financial Procedures Manual is not relevant.

The guidance to schools on the payment of invoices for engagement of off payroll workers, whose engagement falls under the IR35 intermediaries' legislation (effective from 6th April 2017) can be found in the '**School Payment Procedures**' chapter or on the HR Portal

- 1.2 Schools can hold an external bank account for official funds. Schools choosing to hold an external bank account must undertake to comply with the rules and conditions in this Scheme. Appropriate staff must attend training courses on systems and financial procedures.
- 1.3 The Local Authority will suspend cheque book arrangements where, in the opinion of Internal Audit and/or the Children and Families Directorate, there is evidence of financial mismanagement or non-compliance with the rules of the cheque book scheme.
- 1.4 Schools wishing to participate in the Scheme must apply to the Local Authority by 31 December in any year to operate cheque book arrangements from the start of the following financial year. This application must be authorised by both the Head Teacher and the Chair of the Governing Body of the school.
- 1.5 The Local Authority may delay an individual school's admission to the Scheme where the school is experiencing considerable difficulty in maintaining expenditure within its formula budget share or where significant deficit balances are brought forward from previous years. This will only apply following discussions with the Head Teacher of the school.
- 1.6 Any school wishing to withdraw from the Cheque Book Scheme should initially contact the Cheque Book Team via the mailbox: FullCBSMailbox@birmingham.gov.uk and the necessary arrangements will be facilitated as soon as is practicable.

- 1.7 Schools using CMIS/FMS, or any other financial management system will need to read and use these procedures in conjunction with the system support provider's training notes for full cheque book schools.

2 Cheque Book Scheme Arrangements

- 2.1 Under the Scheme, schools will meet the types of expenditure from their local bank account as set out below: -

- All expenditure relating to the schools' delegated budget for pay and non-pay items including payments to employees, (including any allowances) travelling and subsistence expenses, which are paid through the Local Authority or another provider's payroll and Uniform Business Rates and Water Rates.

2.2 Transactions Limits

2.2.1 Payments shall NOT be made from the local bank account for: -

- Any non-delegated items listed in the Fair Funding Scheme unless notified to schools
- Any expenditure relating to unofficial funds
- Any non-City Council activities

2.2.2 Receipts may be paid into the local bank account ONLY for: -

- Advances from Birmingham City Council
- Grant Income
- Income generated, e.g., school lettings.
- Donations and contributions towards school expenditure by school funds, charities, etc.
- Value Added Tax (VAT) and tax reimbursements

3 **Preparing for the Cheque Book Scheme**

3.1 Internal Management within the School

The scheme requires a network of financial systems that incorporate a degree of financial control, including separation of duties. There should be a clear management and organisational structure, to effect and manage these financial systems, irrespective of the particular financial management system chosen.

3.2 Separation of Duty/Internal Control

It is important to ensure that there is an adequate separation of duty incorporated into the operation of the financial systems. The designated

members of staff authorised to sign cheques should not have authority to authorise orders or certify accounts for payment.

A division of duty should exist between the: -

- raising of an order and its authorisation and certification;
- ordering and the receiving/acknowledgement of the delivery of goods;
- ordering process and the processing of the invoice to be passed for payment;
- receipt and the banking of income;
- raising of an invoice, recording of the receipt and the progression of the debt.

3.3 Security of the System

To maintain the integrity of information on the school financial management information system, it is necessary to ensure that the security measures are put in place.

4 **Setting up a Local Bank Account**

4.1 Choice of Financial Institution

The opening of all accounts must be authorised by the Governing Body. Schools may use any UK Clearing Institution, either Bank or Building Society, (see Appendix A). Birmingham City Council maintains a Lending List of financial institutions which it considers having an acceptable level of risk. Schools who wish to use a new bank or building society must have due regard to the Birmingham City Council Lending List at the time of consideration. In selecting an institution not on the list, schools must recognise that they are accepting a higher level of risk in the institution selected. Appendix A provides an example of the institutions appropriate at the time of drafting this Manual. The Head of City Finance – Education, must be notified of all financial institutions used and the number and types of all accounts opened.

- 4.1.1 All accounts opened must be in the name of the school. Schools can also if they wish open accounts in the name of Birmingham City Council School. New cheque book schools can only start using the new bank account from 1st April – the day schools formally start operating under the cheque book scheme.

- 4.1.2 Schools will retain interest earned on their accounts and bear any charges made by their bank. Because of the tax status of Birmingham City Council, interest should be paid gross, without the deduction of tax. HMRC Form R85 should be obtained from the bank and completed by schools to ensure the payment of gross interest. Schools should refer to the HMRC website to obtain the latest form.
- 4.1.3 Any new bank account arrangements can only be made with effect from the beginning of a financial year.
- 4.1.4 Applications to open bank accounts and bank mandates must be authorised by the Governing Body and copied to the Schools Funding Team. The Governing Body must also authorise the arrangements covering the operation of the accounts including any transfers between accounts and cheque signing arrangements.

4.2 Choice of Account

Schools are advised to consider the following issues when deciding on a financial institution and the type of account to open: -

- Arrangements for investing large credit balances, i.e., whether the bank requires two separate accounts and notification for moving of balances between accounts or a high interest earning cheque account.
- The position regarding bank charges. Many banks have business accounts that give free banking in the first year, but thereafter apply commercial rates.

4.3 Investments and Carry Forward Balances

- 4.3.1 Investments and other surplus funds, including carry forward balances, may only be made directly the school's approved bank account which should provide no risk to the capital sum. Investment must not be arranged through any intermediaries. Any interest received will accrue to the school bank account.
- 4.3.2 Investments must be in any current or deposit account (including single deposits) placed with an approved bank. Deposit accounts include managed money market accounts, providing that the bank provides a written agreement incorporating a guarantee of the capital sum invested. Schools MUST obtain approval from the Corporate Director Finance & Governance for new investments and confirm in writing the details of the banks and the number and types of accounts proposed before public funds are invested. The Corporate Director Finance & Governance may be willing to offer investment services to schools if there is sufficient demand.

4.4 No Overdraft or Loans

Schools must not themselves offer any security to a bank. If requested, Birmingham City Council may guarantee individual accounts, on application to the Corporate Director Finance & Governance. Schools must not arrange for overdrafts, loans or any other forms of credit or deferred purchase. Please contact the Schools Funding Team for advice via email to the mailbox: FullCBSMailbox@birmingham.gov.uk .

4.5 Borrowing by Schools

4.5.1 Governing Bodies may borrow money for capital purposes only with the written permission of the Secretary of State. The Governing Body, in these circumstances, must plan and conduct its affairs to remain solvent. This does not apply to Trustees and Foundations, whose borrowing, as private bodies, makes no impact on Government accounts. These debts must not be serviced directly from the delegated budget but, schools are free to agree a charge for a service which the Trustees or Foundation are able to provide as a consequence of their own borrowing. Governing Bodies do not act as agents of the Local Authority when repaying loans. Any school proposing to take this course of action must consult with the – School Funding Team.

4.5.2 Schools must not borrow to finance a deficit, either through a bank overdraft or other means, and must demonstrate good financial management by accurately forecasting their cash position.

4.5.3 Schools must not use Credit Cards as this is a form of borrowing.

4.6 Bank Stationery - Cheques

4.6.1 Schools can order their own cheque books or pre-printed cheque stationery. Pre-printed cheque stationery should be designed to match the printing format of the Schools Financial Management Information System and supplied only by APACS accredited printers. Cheques may be personalised with a school crest and must contain the name of the school within the account details. Schools may, if they wish, have cheque stationery in the name of Birmingham City Council School.

4.6.2 The stock of pre-printed stationery that is in use must be maintained in a locked safe. Where the safe is not large enough, then a locked cabinet must be used, where access is restricted to two key holders. As the stock is usually bought in bulk to save costs, then stock must be held securely with restricted access.

4.6.3 A segregation of duty is required between the person who has access to the cheque stationery i.e., key holder to safe or locked cabinet and the member of staff who undertakes the cheque run and performs the bank reconciliation.

4.6.4. The pre-printed cheque stationery can also be used manually outside of the cheque run. However, to ensure that the correct cheque number is allocated

within the financial management system, a school should only highlight the manual payment and place a blank sheet of A4 in the printer. If a school has written more than one manual cheque, the school will need to repeat this, otherwise the numbers are issued in alphabetical order by supplier and will allocate an incorrect number.

4.6.5. Handwritten cheques must be signed, in manuscript, by two designated members of staff who should not have authority to authorise orders or certify accounts for payment. Governors will not be permitted to sign cheques, except where those governors are acting in their capacity as members of staff. Blank cheques must be kept in a safe place, and they should not be pre-signed. Spoilt cheques must be crossed through and retained for audit purposes.

4.6.6 Schools who participate in the Full Cheque Book Scheme may be audited periodically where testing against these controls (4.6.1 to 4.6.4) will be undertaken either as part of a routine audit visit or a themed or bespoke piece of work.

4.7 Bank Stationery - Paying-In Slips

4.7.1 Pre-numbered bank paying-in books, with two-part slips, must be used for banking income. The source of income and total should be entered on all retained bank paying-in slips. Where banking includes cheques then a record should be kept showing for each cheque: -

- the name of the drawer
- the nature of the income (including the coding details)
- the amount

and must be totalled to agree with the total cheque value banked.

4.7.2 All cheques to be paid into the local cheque account should be made payable to: "Birmingham City Council..... School" or "..... School" without endorsement.

4.8 Credit Cards

As covered in 4.5 schools **must not use Credit Cards** as this is a form of borrowing.

4.9 Direct Debit/Standing Orders

Schools can make payments by Direct Debit and Standing Orders and the following procedures apply: -

Schools that use BCC Payroll Services must pay by Direct Debit for employee salary costs wherever possible. This includes employees' gross pay plus employee on-costs, (employers National Insurance contributions and employers Pension contributions) and other employee costs such as car mileage, overtime, and any other salary related payments.

- 4.9.1 The Governing Body (or Finance Committee if delegated) should approve every Direct Debit being set up.
- 4.9.2 The Governing Body (or Finance Committee if delegated) should give annual approval to all Direct Debits.
- 4.9.3 Only authorised officers (those identified on the bank mandate) should be able to sign Direct Debit Request Forms.
- 4.9.4 A copy of the Request Form should be held by the school (retained with the blanket order).
- 4.9.5 Direct Debits should be set up at the start of the year, or for the remaining part of the year, depending when payments start, as a "blanket order" so that a "full" years' commitment is put on the system.
- 4.9.6 Persons authorised to sign Direct Debit requests should not be responsible for clearing suspense/monitoring bank statements.

4.10 Debit Cards

Schools can make payments by Debit Card and the following procedures apply: -

- 4.10.1 All requests to use Debit Cards should be made to the Governing Body for approval. The request should explain why the school wishes to use a Debit Card, that there is a clear business need and that the card(s) will be actively used once the card has been obtained.
- 4.10.2 The Local Authority should be informed in advance and give permission to proceed.
- 4.10.3 Only authorised officers (those identified on the bank mandate) should be able to sign Debit Card Request Forms.
- 4.10.4 A School Governor cannot be issued with a school Debit Card.
- 4.10.5 The Debit Card should be in the school's name, not in the name of an individual.
- 4.10.6 There should be a limit on the card - maximum of £500 for any one transaction.

- 4.10.7 If only one Debit Card is issued, this should not be shared - there should be one nominated user per card.
- 4.10.8 If more than one user is required then each person should have a separate Debit Card and each Debit Card should have an individual identification number and pin number, so that each purchase can be traced to the relevant individual.
- 4.10.9 Each user should sign for receipt of a Debit Card that includes a declaration confirming the Debit Card will only be used for school purposes and will not be used, at any time, for personal use. The declaration should include the consequences of misuse, disciplinary measures, etc. and the completed proforma should be held securely within the school safe.
- 4.10.10 Each school must develop and implement a policy for the usage of a debit card to include: -
- The acceptable usage of the debit card
 - The process for obtaining authority from the relevant budget holder before goods or services are purchased using the debit card.
 - The debit card is stored securely when not in use e.g., the safe.
 - The debit card must not be shared with other staff.
 - The process for investigating and reporting any unknown debit card transactions that are identified on a bank statement (see 4.10.12 and 4.10.13)
 - The consequences of misuse, disciplinary measures etc.
- 4.10.11 When a Debit Card is used; where possible the school should raise a confirmation order to create a commitment on the system within 24 hours.
- 4.10.12 All transactions on the bank statement should be immediately verified and independently checked by an officer who does not have authority to use a debit card. If the only officer available to complete this task is also a Debit Card holder, then their bank statement should be immediately verified and independently checked by a senior member of staff.
- 4.10.13 All unknown transactions should be reported to the Head Teacher and investigated immediately.
- 4.11 BACS Payments
- 4.11.1 The Governing Body (or Finance Committee if delegated) must give approval to all annual BACS payments in advance.

- 4.11.2 The Governing Body (or Finance Committee if delegated) should approve one time vendor BACS payments before they are made.
- 4.11.3 Only authorised officers (those identified on the bank mandate) should be able to request/make BACS payments.
- 4.11.4 Access and BACS payment authority should be controlled by individual passwords.
- 4.11.5 All BACS payments will require password input by two individuals, providing a division of duty between actioner and authoriser. This is an audit requirement.
- 4.11.6 There must be a set maximum BACS payment limit, which must be approved by the Governing Body. All limit changes should also be approved by the Governing Body.
- 4.11.7 BACS payments should only be made to 'pre-approved' accounts which have been agreed with the banking provider. All pre-approved accounts should be agreed by the Governing Body (or Finance Committee if delegated), and only authorised officers (those identified on the bank mandate) should be able to add such accounts to the list held by the bank.
- 4.11.8 A print off of all BACS payments should be retained at the school, and signed by an authorising officer who does not have authority to action or authorise a payment.
- 4.11.9 All BACS payments detailed on the school's bank statements should be independently checked by an officer who does not have the authority to make or authorise a payment.

4.12 Use of Internet Banking by Schools

4.12.1 Establishing an Internet Account

4.12.1.1 The Governing Body (or Finance Committee if delegated) must approve the decision to request an internet banking facility before it is taken out.

4.12.1.2 Only authorised officers (those identified on the bank mandate) should be able to make a request for an internet bank account.

4.12.1.3 The -School Funding Team must be informed in advance and give permission to proceed.

4.12.2 Use of Internet banking

4.12.2.1 What would the banking function be used for?

- Viewing information only

- Transferring money between accounts
- BACS payments
- Setting up Direct Debit's

4.12.3 Viewing information only

4.12.3.1 Should be restricted to those who need to see information only.

4.12.3.2 Access to information should be by individual password.

4.12.4 Transferring money between accounts

4.12.4.1 Only authorised officers (those identified on the bank mandate) should be able to transfer between accounts, and powers to transfer should be detailed within the Head Teacher's framework of delegation. This is an audit requirement

4.12.4.2 Access and transfer authority should be controlled by individual passwords.

4.12.4.3 All transfers between accounts will require password input by two individuals, providing a division of duty between actioner and authoriser.

4.12.4.4 There must be a set maximum transfer limit, which should be approved by the Governing Body. All limit changes must also be approved by the Governing Body.

4.12.4.5 Transfers should only be made to 'pre-approved' accounts which have been agreed with the banking provider. All pre-approved accounts should be agreed by the Governing Body (or Finance Committee if delegated), and only authorised officers (those identified on the bank mandate and with delegated authority to do so) should be able to add such accounts to the list held by the bank.

4.12.4.6 A print off of all transfers must be retained at the school, and signed by an authorising officer who does not have authority to action or authorise a transfer.

4.12.4.7 All transfers detailed on the school's bank statements should be independently checked by an officer who does not have the authority to make or authorise a transfer.

4.13 Other Bank Arrangements

4.13.1 Travellers cheques and foreign currency must NOT be obtained through the local bank account without the permission of the -School Funding Team.

- 4.13.2 Any cancelled cheque must be clearly marked “CANCELLED” and retained for audit purposes with the paid invoices.
- 4.13.3 There must be a clear division of duty between the preparation, authorisation, and issue of cheques.
- 4.13.4 Schools should make use of normal credit terms offered by suppliers, but need to pay attention to discounts on offer for prompt payment that could provide better value for money.
- 4.14 Internet Ordering
- 4.14.1 A formal request to use internet ordering should be made to the Governing Body for approval. The request should explain why the Head Teacher wishes to use this method of ordering in addition to the current method.
- 4.14.2 Only specified officers should be able to place orders over the internet.
- 4.14.3 Internet ordering or purchasing must be restricted to those goods or services that cannot be acquired through the normal ordering procedures (i.e., by the financial management system) or where there are significant financial savings that can be made by the school (e.g., an on-line discount).
- 4.14.4 Internet ordering should not be seen as an alternative to ordering via the financial management system, but an avenue for procurement in exceptional circumstances.
- 4.14.5 It is recommended that internet orders are placed only with reputable companies, ideally with those whom the school has dealt with in the past.
- 4.14.6 Where goods or services are to be purchased via the internet it is recommended that schools check supplier details before an order is placed, for example: -
- The internet website should refer to the supplier’s name and address. A ‘UK’ internet address does not always mean the firm is UK based. A supplier’s website will include information on that company’s terms and conditions of trading. This information should be checked by schools beforehand.
 - It is recommended that transactions take place under UK jurisdiction where normal forms of redress are available to solve problems or disputes regarding faulty goods or non-delivery of goods.
 - A full description of the goods or services that are to be purchased is made available.
 - The prices including taxes.
 - Delivery costs and arrangements are clear.
 - How long the price will stay valid.
 - How to make payment.

- Whether the school has the right to cancel an order.
- If it is a service being procured, how long is the school committed for.
- That the contract in law is between the school/Local Authority and the supplier, and not between the individual and the supplier.

Once you are happy with the details and the terms and conditions of the supplier then an order can be placed via the internet.

4.14.7 Authorising the Order / Commitment Accounting

4.14.7.1 The advantages of raising official orders on CMIS/FMS or any other financial management system are two-fold: -

- It commits the estimated expenditure to the relevant budget heading at the ordering stage and thus acts as a control over inadvertent overspending and maximises effective budgetary control.
- It enables the Head Teacher, as the certifying officer, to approve (or reject) a proposed purchase beforehand. Schools have a responsibility to ensure that adequate controls are in place to ensure that there is sufficient budget provision to meet the proposed expenditure. The CMIS/FMS official order system fulfils this purpose.

4.14.7.2 The risks of internet ordering are:

- That it can by-pass normal order authorisation procedures (i.e., expenditure can be incurred without the prior approval of the budget holder).
- Expenditure can be committed without any check to ensure that there is sufficient budget provision.

4.14.7.3 Controls that must be in place are:

- Any officer authorised to place orders using the internet should be aware of the guidelines and certify their understanding of them and agreement to abide by them.
- An official order will be raised at the time of placing the internet order; however, as a minimum requirement, a confirmation order should be raised within 24 hours of placing the internet order.
- Where an internet order is placed, a copy of the order should be printed off and retained by the school. This should be signed by an authorised officer independent of the ordering.
- The internet order and official confirmation order should be cross referenced appropriately.

- The officer placing the order should not be responsible for receiving the goods or authorising payment.
- The order should be raised in the name of the school, and not in the name of an individual. Internet orders should clearly state that the purchase is being made by an individual on behalf of (acting as an agent of) the School / Local Authority.
- A copy of the internet order should be printed off and attached to the CMIS/FMS order.
- The conditions of purchase should be notified to the supplier for all orders placed.
- Internet orders should not be placed for personal use.

4.14.8 Implications for Recovery of VAT

4.14.8.1 It is important that the documentation received by the school is adequate for VAT recovery purposes (i.e., a valid tax invoice with the VAT shown separately where the invoice value exceeds £250). A proper VAT invoice is required where the purchase value exceeds £250 including VAT. Of particular importance is the need for any invoice to be addressed to the school and not be solely in the name of the member of staff making the purchase, or otherwise VAT is not recoverable.

4.14.8.2 Guidance for Local Authorities and schools on VAT issues can be found on the HMRC website VAT notice on Education: <https://www.gov.uk/government/publications/vat-notice-70130-education-and-vocational-training/vat-notice-70130-education-and-vocational-training>.

4.15 Transitional Arrangements for Schools Opting for Local Banking

4.15.1 A school will need to decide on investment of any credit balances remaining with the Schools Finance Team, in order that a payment can be made to the school, if that decision is to invest under their cheque book arrangements. This will normally be when carry forward balances have been agreed at the start of the Autumn Term.

4.15.2 Any deficit balances carried forward from the previous financial year will be deducted from the next budget advance for the new financial year. This will normally be when carry forward balances have been agreed at the start of the Autumn Term.

4.15.3 Goods and services, for which payments are made by 31st March in a financial year, will be charged to that financial year. Liabilities must be raised

for all outstanding commitments, where goods have been received but payments not made before the end of the financial year.

- 4.15.4 At the start of the first year of operating with a full cheque book facility, schools will receive a reimbursement cheque to cover the payment of invoices raised as liabilities in their last year as a non-cheque books school.
- 4.15.5 Any school opting for the full cheque book facility will have their petty cash imprest advances withdrawn. These schools will need to return their imprest advance to the School Funding Team before the start of cheque book facility. See **Appendix B** for separate procedures to action the bank petty cash account closure.

5 Accounting for Cash Instalments

5.1 Definition

The following “cash” credits will be received by BACS, CHAPS by schools: -

- termly advances for school budget share
- monthly advances for school budget share
- monthly VAT refunds
- additions to School Budget Share allocated from central contingencies

5.2 Termly and Monthly Advances for School Budget Share

- 5.2.1 Advances for all delegated expenditure will be made by either twelve equal instalments; or by thirteen instalments which includes an increased payment in April, made on the first working day of the month, equivalent to one thirty sixth of the school budget share, whilst a corresponding reduction is made in the March payment. All instalments will be made on dates to be prescribed by the Finance Manager.
- 5.2.2 These monthly instalments will normally be cleared into the school’s nominated bank account three working days before the date each month on which staff salaries are paid.
- 5.2.3 The monthly advances, on dates to be prescribed by the Finance Manager, will constitute one-twelfth of the delegated budget each month, except for April and March, as detailed above.
- 5.2.4 Schools will need to consider the frequency of advances when making payments to suppliers, e.g., schools whose patterns of expenditure commit

more expenditure in the earlier part of the financial year will need to review this practice.

5.3 Interest Clawback

5.3.1 There will be loss of interest to Birmingham City Council, as advances will be made to schools earlier than pay transactions and invoices would normally be paid. The loss of interest to the City Council will be made good by the deduction of an equivalent amount from the advances made to schools. This will be dependent on interest rates current at the time of the advances and will be charged to schools.

5.3.2 The basis of the calculation for the interest deduction is as follows: -

$$V \times n/365 \times y\%$$
$$A - E = V$$

Where

A = the total forecast budgets to be advanced to schools within the scheme per month.

E = the expected expenditure of schools within the scheme per month based on historic patterns of spending.

n = the number of days in each month.

y = the forecast interest rate for City Council purposes (notional interest) for the financial year.

5.3.3 The formula will give the cost to Birmingham City Council monthly. These costs will be totalled to give the expected annual loss that, expressed as a percentage of the total annual relevant advances, will give the percentage to be deducted from relevant advances.

5.3.4 It is intended to calculate the percentage deduction at the start of each financial year and the interest will be deducted from the relevant advances.

5.3.5 For schools opting for the scheme but continuing to use Birmingham City Council for payroll services, there will be additional transaction charges for processing. These will be recharged to relevant schools on an actual basis.

5.3.6 Schools that are part of the cheque book scheme, and approval for closure or amalgamation has been obtained, will continue to receive their relevant budget instalments until the time of closure or amalgamation.

5.4 VAT Refunds

- 5.4.1 Cheque Book Schools are deemed to be part of the Local Authority for VAT purposes and must not attempt to register for VAT in connection with activities involving the use of the delegated budget.
- 5.4.2 Goods and services sold by the school may be subject to VAT. Schools must collect tax from the purchaser. Goods and services bought by the school may be liable to VAT. Schools must pay tax to the supplier and must therefore account for VAT properly on the financial management system.
- 5.4.3 Schools will be reimbursed VAT via the Local Authority. On a monthly basis, timetable to be prescribed, schools must send to the Schools Finance Team their VAT analysis, providing an accounting of the transactions in the month for pay and non-pay as applicable. All claims for VAT must be made through the Schools Funding Team. The VAT analysis should be printed and submitted according to the set timetable to the Schools Funding Team via email to the mailbox: FullCBSMailbox@birmingham.gov.uk . The Finance Manager will account for the VAT to HMRC on school's behalf and reclaim the VAT.
- 5.4.4 A BACS payment will be made to refund the VAT within ten working days of the receipt of the VAT analysis.
- 5.4.5 Individual schools will be liable for any penalties imposed by HMRC, resulting from the underpayment of VAT, based on the financial returns submitted to the Schools Funding Team via email to the mailbox: FullCBSMailbox@birmingham.gov.uk. It is vital, therefore, that all invoices and other records are maintained on file, to support all VAT transactions. Attention must be given to obtaining bona fide VAT receipts/invoices, and to account accurately for all VAT, in respect of both income and expenditure. Head Teachers must be aware of, and ensure compliance with, the VAT regulations. Further guidance can be found in the '**Value Added Tax**' chapter. Should HMRC Officers wish to inspect school VAT records they will give adequate notice, so that documents can be forwarded to the Finance Manager. Alternatively, HMRC Officers may request to visit schools.
- 5.4.6 Schools are reminded of the requirements for entering income and expenditure with VAT implications onto the financial management system. Failure to comply with this may result in an imbalance on the VAT return and possible delay in VAT reimbursement. The Local Authority will consider withdrawal of the cheque book facility for schools failing to account for VAT, or by submitting VAT returns not in line with the approved timetable and procedures.

5.5 Additions to School Budget Share

If schools receive notifications of additions to School Budget Share (e.g., High Needs allocations etc), these will normally be dealt with as part of the monthly or termly instalment. Alternatively, a separate BACS payment may be issued.

6 Processing Expenditure

6.1 Ordering and Receipt of Goods through Local Banking

Ordering and receipt of goods and services for schools operating local banking arrangements should follow the same procedures as non-cheque book schools.

- All orders and receipts for goods or services should be processed via the school's financial management information system. Blank ordering stationery which contains the Local Authority's terms and conditions must be used and should be retained in a secure area.
- Any verbal orders placed over the telephone must always be followed up immediately with an official confirmation order. Faxed orders need to include both sides of the order and wherever possible should be followed up with the original order.
- For utility bills, i.e., gas, electricity, telephone, it is advisable for a 'blanket' order to be raised at the start of each financial year. This commits the funding and serves as a record to prevent duplicate payments.
- The selection of the supplier, the obtaining of quotations and issuing of contracts for goods and services must be in accordance with the requirements of the Local Authority's Financial Regulations and Standing Orders. See '**Financial Regulations**' chapter.

6.2 Payment of Invoices

6.2.1 Invoices should be recorded on the school's financial management system with the exception of central payments (see section 6.3 below) and Construction Industry Scheme (see section 6.4 below). Non-order invoices should not be used.

6.2.2 All invoices will be paid inclusive of VAT, where applicable, which will be subsequently reimbursed. For invoices paid to Birmingham City Council Departments, the invoice should carry the VAT category "O" (other non-business) and be recorded as such on the school's financial management system.

6.3 Central Payments

6.3.1 If fuel oil is ordered from the contract negotiated by Corporate Procurement Services (CPS), payment will have to be made centrally under the terms of the contract. No invoice will be sent to the school unless requested, but schools may be able to view charges online. Schools should contact CPS for queries.

6.3.2 Heating, lighting and water at some sites is from a supply shared by two or more users. For such sites, invoices may be paid centrally or by one of the site users, and costs apportioned to all site users.

6.4 Construction Industry Scheme (CIS)

6.4.1 The Construction Industry Scheme (CIS) is a set of special rules by HMRC for handling payments by contractors to sub-contractors for construction work and replaces the Construction Industry Tax Deduction Scheme.

6.4.2 Payments for construction work by the Head Teacher or Governing Body of a maintained school on behalf of the Local Authority are not covered by CIS. So maintained schools do not become deemed contractors no matter how much they spend. Voluntary aided schools are not treated as CIS contractors either.

6.4.3 All payments to building contractors that are charged to a devolved budget are therefore made from a local bank account. But if the Local Authority commission's capital works, for example building a new school, then the CIS rules will apply.

6.5 National Non-Domestic Rates and Water Rates

6.5.1 Payment for National Non-Domestic Rates (NNDR) will be made centrally by the Schools Finance Team and any NNDR invoices received by a school should be sent directly to the Schools Finance Team, Directorate of Children & Young People, PO Box 16306, Birmingham, B2 2XR

6.5.2 The Section 251 amount awarded for NNDR will be deducted from the budget share instalment each financial year.

6.5.3 Water Rates will continue to be paid locally by schools and the budget included in the instalment payments.

6.6 Leasing of Equipment

6.6.1 Schools may be approached by suppliers offering goods, e.g., computer equipment, photocopiers, and furniture, along with a leasing package, enabling schools to spread the costs over a number of years.

6.6.2 Any leasing payments must be made by cheque and not by direct debit.

6.7 Cheque Book Security

Schools must: -

- Ensure that all cheque books are held in a locked safe with a restricted number of keys and key-holders.
- Maintain a schedule detailing the date of receipt of individual cheque books, the cheque numbers contained, together with a signature of the recipient who should check for missing cheques. Such a schedule should also state the date the first cheque is used and the date the last cheque is used. This should be held separately from the cheque books themselves.
- Conduct a regular check to ensure that all cheque books issued by the bank have been received, are complete and the cheque numbers follow on from the current cheque book.
- Conduct a check of all cheque books currently held on the premises to ensure that all unused cheques have sequential numbers. (There have been incidents where cheques towards the back of the book have been removed complete with their 'stub' and, as such, might not be noticed for some time.)
- Ensure that all cheques have two signatories.
- Ensure that, where a bank account has been closed, all unused cheques have been crossed through and endorsed "cancelled."

6.8 Completion of Cheques

- 6.8.1 Cheques should be signed, in manuscript, by at least two designated members of staff, who should not have the authority to authorise orders or certify accounts for payment. Governors will not be permitted to sign cheques, except where those governors are acting in their capacity as members of staff. A copy of the bank mandate, detailing the account signatories, should be sent to the Finance Manager via email to the mailbox: FullCBSMailbox@birmingham.gov.uk. All cheque book signatories should be aware of their responsibilities in respect of cheques to be signed and should review the supporting paperwork, to satisfy themselves of the legitimacy of the transaction prior to signing.
- 6.8.2 Blank cheques should not be pre-signed in any circumstances.
- 6.8.3 Any cancelled cheques must be clearly marked "CANCELLED" and retained for audit purposes.

6.8.4 The date, payee and amount of each cheque should be recorded on each cheque stub in ink.

6.8.5 A periodic check should be undertaken to ensure that all cheques issued have been accounted for.

6.9 Processing of Credit Notes

There may be occasions when goods which have been paid for have to be returned to the supplier. In such cases schools are likely to receive a credit note for the value of the returned goods. When a credit note has been recorded, the next cheque for that supplier should be reduced by the amount of the credit note. Where a supplier is unlikely to be used again a cheque for the total of the credit should be obtained.

6.10 Retention of Documents

6.10.1 The following records **must** be kept for the current financial year and the previous six financial years: -

- Payroll Records (in line with the conditions within the delegation of payroll and personnel)
- Signed copy orders
- Signed and dated delivery notes
- Copy remittance advice slips
- Certificated paid invoices
- Paying-in slip stubs/records
- Copy receipts for all income
- Bank statements
- Bank reconciliation statements
- School's financial management system detailed accounts
- Contracts (including quotations, tenders, etc.)
- Paid capital orders and certificated invoices **(10 years)**

6.10.2 It is recommended, however, that the following filing system should be adopted to support expenditure: -

Signed copy orders Payroll invoices Other paid revenue orders/invoices	To be retained on file in cheque number order.
Delivery notes Copy remittance advice slips	A file should be held for each period.

In each period, file the corresponding VAT Return and Expenditure Analysis from the school's financial management system.

- 6.10.3 Complete end of year accounts on the school's financial management system must be backed up properly and securely and held separately for each year.
- 6.10.4 There must be an audit trail from the cheque counterfoil to the order and invoice, and from the monthly returns, back through the CMIS/FMS or any other financial management system used by the school to the individual invoice.
- 6.10.5 Invoices and other records, relating to VAT claims, will be retained at each school. Should HMRC officers wish to inspect these records, they will give adequate notice so that documents can be forwarded to the Head of City Finance – Education. Alternatively, HMRC officers may wish to visit the school.
- 6.10.6 Schools should remember that the Local Authority has a statutory obligation to open its accounts for public inspection each financial year for a four-week period. It is, therefore, important to ensure that a comprehensive system is implemented for the filing, retention, and potential inspection of all relevant documents.
- 6.11 **Urgent Payments/Petty Cash**
- 6.11.1 Any school opting for a cheque book facility, will have their petty cash imprest advances withdrawn. These schools will need to return their imprest advance to the Finance Manager via email to the mailbox: FullCBSMailbox@birmingham.gov.uk, prior to the start of the cheque book facility. See '**Petty Cash**' chapter. Appendix B provides guidance to schools on the closure of existing petty cash accounts and reconciliation.
- 6.11.2 Cash can be used to pay for minor purchases using an imprest float held by the school. Schools should keep cash held on site to a minimum and must ensure that they comply with the cash holding limits or as the school's insurance policy stipulates.

The cash holding limits, which must NOT be exceeded are:

Wall safe or filing cabinet £125

Free-standing or floor safe £500

Theft of cash from an establishment is covered by the Local Authority's 'Cash in Transit' policy provided there is no proof of negligence involved. Cash held in a filing cabinet is not covered by the Local Authority's 'Cash in Transit' policy. The Local Authority's Insurance Officer, (Tel no: 0121-303-4829) can be contacted for further advice.

- 6.11.3 If a school is producing all its cheques by computer, urgent payments should be avoided by forward planning. Where a school sees a regular need for urgent cheques, not produced by the school's financial management system, a separate bank account should be opened, as a petty cash imprest account, with reimbursement from the main bank account being made through the school's financial management system.
- 6.11.4 If a school is producing all its cheques manually, a cheque can be made out for an urgent purchase, but the school's financial management system must be immediately updated for the payment.

7 Processing Income

7.1 Definition

- 7.1.1 The following items should be treated as income on the school's financial management system: -

Cheque Refunds	(VAT category – depends on original expenditure)
Private telephone call income Coin box income Private photocopying income Sale of equipment	(VAT category "S" - standard rated)
Teacher release	(VAT category "O" - other non-business) (i.e., exam boards)
Exam refunds Lettings	(VAT category "E" - Exempt)
Donations Grants Recharges from City Departments School meal fuel recharge Dual use	(VAT category "O" - other non-business)
Sale of reading books	(VAT category "Z" – zero rated)

Any other sources of income received, which are not listed above, must be referred to mailbox: FullCBSMailbox@birmingham.gov.uk for clarification of the VAT category prior to entering it onto the school's system.

- 7.1.2 All budget share income must be banked to the cheque book scheme local bank account.

In no circumstances should unofficial monies be mixed with official monies or banked to the cheque book scheme local bank account.

7.2 Receipt and Banking of Income

- 7.2.1 Wherever possible, depending upon the volume of cheques received, the post should be opened by two people. Schools need to assess their own control environment, governing individual circumstances for post opening. Schools will, therefore, need to balance for themselves any element of potential risk, and the comfort their administrative arrangements provide to guard against this. Any cheques received should be recorded on a pre-numbered remittance sheet, detailing the payee, the amount, the nature of the income and a column to record a signature, if the custody of the cheques changes hands. The remittance sheet should be completed at the time of opening the post and should be signed by the people opening the post. Any cheques received in person should be made payable to "Birmingham City Council.....School" without endorsement.

- 7.2.2 All cash and cheque income should be receipted immediately on the school's financial management system and analysed for VAT using the relevant VAT category.

- 7.2.3 Income must be banked using pre-numbered paying-in books and not individual slips.

7.3 Raising Invoices

- 7.3.1 The Governing Body should approve a scale of charges, and regularly examine the type of organisations using the school facilities.

- 7.3.2 For any invoices raised for VAT taxable services, schools may continue to do this, using the City Council's Accounts Payable Section. Alternatively, schools may raise their own invoices, in line with the guidance contained in the '**Value Added Tax**' chapter.

- 7.3.3 Any invoices that are currently raised for non- services, e.g., against exam boards for moderation, can continue to be raised at school level. For these invoices, a pre-numbered proforma should be completed, detailing the service provided or to be provided, the charge and debtor details. An invoice should then be raised accordingly. A copy of the invoice should be retained on an "unpaid invoices" file until payment is received.

- 7.3.4 The payment of debtors' invoices should be receipted and banked. The copy invoice on file should be marked with the date payment was received and the

receipt number (a receipt should be attached wherever possible). This should then be transferred to a "Paid Invoices" file. The Governing Body should be aware that it is their responsibility to implement a debt collection procedure. The person raising the invoice should not be the person who receives the income or progresses the debt.

- 7.3.5 The Head Teacher should check and account for all proformas used and ensure that invoices have been raised accurately and promptly. Similarly, all invoices raised should be accounted for to ensure that payment is received in accordance with the procedure detailed above.

8 Financial Returns and Monitoring

8.1 Introduction

- 8.1.1 The following financial returns are required on the basis described: -

- Bank Reconciliation Statement (monthly)
- VAT Submittal (monthly)
- Income and Expenditure Returns (termly)
- Cashflow Statement (termly)
- Payroll Returns

Appendix D explains the requirement.

8.2 Bank Reconciliation Statement (monthly)

- 8.2.1 Schools MUST reconcile monthly the balance shown on the bank statement with the school bank account balance, as on the school's financial management system. This reconciled bank balance MUST be further reconciled to the Account Summary information on the school's financial management system, on a monthly basis. An example is given at **Appendix E**
- 8.2.2 Schools MUST, therefore, receive bank statements monthly. Reconciliations with required supporting documents must be returned on a monthly basis to the Schools Finance Team, mailbox: FullCBSMailbox@birmingham.gov.uk in a timetable and format prescribed. Failure to submit all required documents within the specified timetable may result in reimbursement being delayed.
- 8.2.3 The Bank Reconciliation Statement confirms the school's financial system balances to the bank account(s) and is used to confirm that only authorised expenditure and income is being transacted on the cheque book account.

8.2.4 **The Local Authority will consider withdrawal of the cheque book facility, for schools failing to submit balanced monthly reconciliations in line with the approved timetable and procedures.** Unbalanced reconciliations will be returned to schools for correction within five working days. The Local Authority reserves the right to consider withdrawal of the cheque book facility if a specified number of unbalanced reconciliation statements are received in a year. In addition, when schools submit unbalanced VAT, monthly or year-end returns, or fail to submit VAT, monthly and year-end returns, within the timetable prescribed, the Local Authority reserves the right to withhold the relevant VAT reimbursements or relevant school budget share instalment until such time as such returns are balanced, reconciled, and submitted.

8.3 VAT Submittal (monthly)

8.3.1 Schools MUST send to the Schools Finance Team their VAT returns and analysis, to provide accounting of the transactions, to the mailbox: FullCBSMailbox@birmingham.gov.uk monthly. **Appendix D** details the required returns for cheque book schools.

8.3.2 The VAT return will enable the Local Authority to account to HMRC and to make reimbursement to the school and must be signed by the Head Teacher, School Business Manager or Bursar (not the financial services provider)

8.3.3 The expenditure analysis return should be produced, on request, from the CMIS/FMS or any other financial management system, giving an expenditure code analysis, audit trail budget allocation and fund audit trail, enabling the Local Authority's central systems to be updated.

8.4 Income and Expenditure Returns (part of Workbook returns)

8.4.1 Cheque book schools must submit an income and expenditure statement, using a standard proforma (Workbook) to the Schools Finance Team on a termly basis to the mailbox: FullCBSMailbox@birmingham.gov.uk See **Appendix F**.

8.4.2 At year-end, cheque book schools must submit a comprehensive set of final accounts, using standard proformas, to the Schools Finance Team by a date prescribed by the Finance Manager. These returns are known as the "Year End Workbook" and bespoke training is given to schools in advance of the year-end.

The deadline for year-end workbook submission is usually around 5th April each year to enable the Local Authority to meet its statutory timescales. Schools must therefore:

- Have arrangements in place with the bank to obtain the March bank statement as early as possible to avoid any delay.

- Make internal arrangements and ensure relevant staff are available to complete and submit the year-end workbook by the deadline even if the dates fall within school holiday periods.
- Inform their financial providers, if they are used, of BCC's deadlines and the need to comply with them. Responsibility for ensuring completion and compliance with the deadline's rests with the school and not the providers.

BCC will seek formal written confirmation from cheque book schools each year that the above requirements are in place. **See Appendix J**

8.4.3 Attached at **Appendix H** is an example of the year-end returns' checklist required from cheque book schools. The workbook will be pre-populated with individual schools' information and distributed to schools in March prior to the financial year-end at 31st March.

8.5 Cashflow Statement (part of Workbook returns)

Schools MUST submit a cashflow statement, using a standard proforma to the Schools Finance Team, on a termly basis. The statement should demonstrate that schools can effectively manage their cash and gives the Authority an assurance that the school has sufficient cash to fund their activities. Schools are reminded to update their cashflow forecast, in the light of actual expenditure, for the previous period. **Appendix G** is an example of the standard proforma.

8.6 Procedures for Sending Financial Returns

Details of the procedures for sending financial returns to the Schools Finance Team by e-mail are shown in **Appendix I**. Financial returns should be sent to FullCBSMailbox@birmingham.gov.uk.

8.7 Financial Monitoring Reports

All Schools need to adhere to the guidance contained in the '**Budget Monitoring**' chapter.

8.8 Payroll Returns

Schools in the cheque book scheme using a payroll provider other than Birmingham City Council should refer to the '**Payroll and Pensions**' chapter for guidance in the submission of payroll returns and disbursements.

8.9 External Audit and Public Inspection

School cash balances are considered a material value in the City Council's financial statements and will be audited in line with the audit approach to

BCC's main accounts. The City Council has a statutory obligation to open its accounts for public inspection. It is, therefore, important to ensure that a comprehensive system is implemented for the filing, retention, and potential inspection of all relevant documents.

The Local Authority's External Auditors may, as part of their audit work, request original bank statements direct from schools' bankers, who may charge schools directly for this service. Schools are asked to contact the Schools Finance Team if there is an issue.

9. Contacts

9.1 Each school will have a Finance support officer within the Schools Finance Team to process school's monthly VAT returns, termly returns and Year End Workbook returns

9.2 All submissions should be sent to the mailbox:
FullCBSMailbox@birmingham.gov.uk.

The school's name must be clearly shown in the Subject box so that submissions are dealt with in a timely manner.

9.3 For day-to-day operational finance issues, schools should consult with their financial services provider.

In addition, schools are advised to consult with their financial system provider for system related queries.

Appendix A

List of Approved Birmingham City Council Lending Banks/Building Societies and Bank Clearing Institutions as at – September 2023

For the most up to date list, please contact the Treasury Team:

Treasury.Team@birmingham.gov.uk

Banks / Building Societies

Santander UK (ex-Abbey)
Barclays Bank plc
HSBC Bank plc
Lloyds Bank Plc
Royal Bank of Scotland
Bank of Scotland Plc
Svenska Handelsbanken PLC
Standard Chartered Bank

Nationwide Building Society
Coventry Building Society
Leeds Building Society
Yorkshire Building Society

Appendix B

This may be updated periodically, for the latest version please contact: FullCBSMailbox@birmingham.gov.uk

General procedures for end of year reconciliation and closure of existing petty cash imprest accounts prior to the uptake of schools local banking arrangements

- 1 You are required to complete an end of year Petty Cash Reconciliation Form for your individual Accounts as at 31st March and return it within a week after 31st March. Relevant details must be provided on any deficit or surplus.
- 2 The above petty cash reconciliation must be based on the bank statement as at 31st March. This bank statement should be enclosed with the return.
- 3 Ensure all unused cheques have been crossed through and endorsed 'cancelled.' **The cancelled cheque stationery must be retained for future audit purposes by schools.** You are required to complete a Declaration Form giving details on all unused cheque books and cancelled cheque numbers, and return it within a week after the 31st March
- 4 It is intended to ensure a smooth close-down by changes in operational matters as follows:
 - a) You are required not to issue any petty cash bank cheques after 31st March.
 - b) You must advise cheque payees to present cheques on your Petty Cash account as soon as possible and no later than 2 weeks after 31st March.
 - c) You must arrange to pay any petty cash float back into your Petty Cash Bank Account by 31st March.
 - d) You **must submit final** reimbursement claims in the normal way within a week after 31st March.
 - e) You must **not**, under any circumstances, use your Petty Cash Bank Imprest Account after 31st March. You need to make arrangements under your Local Banking System if you require a petty cash imprest after 31st March.
- 5 Arrangements will be made centrally to affect the closure of all Petty Cash Bank Imprest Accounts, together with the repayment of the imprest to the Local Authority's General Fund. It is, therefore, imperative that all schools adhere to the above strict timetable to enable this to be done.
- 6 Please return Reconciliation Forms, Closure Forms, Bank Statement copies to: FullCBSMailbox@birmingham.gov.uk

Appendix B continued

Template example: Closure of Petty Cash Account Form

To obtain the form, click on the link:

[Closure of Petty Cash Account.xlsm](#)

REQUEST TO CLOSE A BARCLAYS IMPREST (PETTY CASH) ACCOUNT	
Please complete all relevant sections of this form and submit to your Finance Rep	
Site Name:	<input type="text"/>
Site address:	<input type="text"/>
Barclays Account Num	<input type="text"/>
Sort code:	<input type="text"/>
Disposal instructions for balances remaining on the account:	
Note: Repayment of an Imprest (Petty Cash) should normally be by payment into the BCU's General Fund Account as 'income'. Where however this is not possible the balance in the account may be transferred directly between accounts.	
Paying in slip number for cash in hand repay	<input type="text"/>
I confirm:	<ol style="list-style-type: none"> 1. The petty cash float/cash in hand has been re-banked as above 2. That all unpresented cheques have been cancelled and that they plus their counterfoils have been retained. 3. Unused cheques have been 'voided'. 4. The petty cash account reconciles. Please complete Reconciliation Form attached 5. For Non schools that the voyager petty cash journal reconciles, all recoupments have been made and that there are no yellow triangles (items 6. Schools only- that any discrepancies in my imprest will be recouped from the schools budget share, and any cheques that remain unpresented at closure will be transferred back to the school following closure of all accounts on that date.
Authorised Signatory of Petty Cash Account	<input type="text"/>
Print name and designation	<input type="text"/>
Date	<input type="text"/>

Template example: Reconciliation Form- Financial Certificate

To obtain the form, click on the link

[Reconciliation form - Financial Certificate.xlsm](#)

For detailed guidance notes on how to complete the Reconciliation form, see “Petty Cash Guidance Notes for Schools” chapter in Schools Financial Procedure Manual

1) All financial records and inventories must still be completed for the year ended 31st March.

2) Barclays Bank A/c No:

3) The balance of Petty Cash on 28th February is made up as follows and this is the statement of my imprest:

	E	P
3.1) My petty cash imprest level is:	(A)	<input type="text"/>
3.2) Balance in Bank – per latest statement available dated: <input type="text"/> dd mm yyyy	(B)	<input type="text"/>
<small>(Please attach a copy of the bank statement to this form, when returning to the finance section)</small>		
3.3) Less cash drawings not yet reflected in bank statement (entered as a minus figure):		<input type="text"/>
3.4) Less any unpresented cheques (entered as a minus figure):		<input type="text"/>
Chq No.: <input type="text"/>	Dated: <input type="text"/>	<input type="text"/>
Chq No.: <input type="text"/>	Dated: <input type="text"/>	<input type="text"/>
Chq No.: <input type="text"/>	Dated: <input type="text"/>	<input type="text"/>
Chq No.: <input type="text"/>	Dated: <input type="text"/>	<input type="text"/>
		<input type="text"/> 0.00
ADD 3.5) Schools claims not yet submitted OR Non Schools claims not yet recouped entered on system <small>(Please Specify)</small>		<input type="text"/> 0.00
SUBTOTAL (3.3 + 3.4 + 3.5)	(C)	<input type="text"/> 0.00
ADD 3.6) Balance of cash in hand (e.g. petty cash box) at 28th February:		<input type="text"/>
ADD 3.7) Outstanding claims recouped/banked but not yet received in the bank at 28th February <small>(Please attach photocopies/screenprints of details, not the backing documents)</small>		<input type="text"/>
No: <input type="text"/>		<input type="text"/>
No: <input type="text"/>		<input type="text"/>
No: <input type="text"/>		<input type="text"/>
		<input type="text"/> 0.00
SUBTOTAL (3.5 + 3.6)	(D)	<input type="text"/> 0.00
Calculated imprest balance as at 28th February (B + C + D)	(E)	<input type="text"/> 0.00
Actual imprest level less Calculated imprest balance (A-E)	(F)	<input type="text"/> 0.00

IN-YEAR FINANCIAL RETURNS - FULL CHEQUE BOOK SCHOOLS**Appendix C****To: FCBMAILBOX - State clearly in the 'subject box: Type of Return, School Name, Period e.g., VAT Return – XXX School April 20xx**

Return	Annex in Workbook	Frequency	Submission To	Reason For Submission	Consequences of Inaccurate or Late Submission
<u>Mandatory Returns (Part 1)</u>					
<ul style="list-style-type: none"> VAT submittal/summary authorised by Head Teacher or Bursar 	A	Monthly	Schools Finance Team	<ul style="list-style-type: none"> To reimburse schools for VAT incurred. 	<ul style="list-style-type: none"> Schools' VAT reimbursement will be delayed.
<ul style="list-style-type: none"> Bank Reconciliation Statement and copy Bank Statement 		Monthly	Schools Finance Team	<ul style="list-style-type: none"> To confirm schools' financial systems balances to bank account. To confirm only authorised expenditure and income is being transacted on the cheque book account. 	<ul style="list-style-type: none"> Schools' VAT reimbursement will be delayed. Integrity of cheque book facility brought into question.
<ul style="list-style-type: none"> Receipts and Payment Account 	B	Monthly	Schools Finance Team	<ul style="list-style-type: none"> To enable expenditure and income to be posted to the City's ledger. 	<ul style="list-style-type: none"> Impacts on the integrity of the City's ledger. Schools' VAT reimbursement will be delayed.
<ul style="list-style-type: none"> Cashflow Statement 	C	Monthly	Schools Finance Team	<ul style="list-style-type: none"> To confirm schools, have a profile of expenditure which will allow them to stay in credit and fund their activities. 	<ul style="list-style-type: none"> Brings into question whether schools are aware of their commitments and effectively managing their cash. Schools' VAT reimbursement will be delayed.

Return	Annex in Workbook	Frequency	Submission To	Reason For Submission	Consequences of Inaccurate or Late Submission
<u>Mandatory Returns (Part 2)</u> <ul style="list-style-type: none"> Final Year End Workbook 		Mar/April (Year End Closedown timetable)	CYPF Finance	<ul style="list-style-type: none"> To enable year end accounts completed in line with corporate deadline 	<ul style="list-style-type: none"> City's accounts will not be closed within tight timescale New year cash advances may be at risk
<u>Other Reporting</u> <ul style="list-style-type: none"> Cashflow Statement 		Monthly	Head Teacher and Governing body	<ul style="list-style-type: none"> Form part of schools' overall financial monitoring process Best practice requires close monitoring of the cash position is vital to ensure bank balance remains in credit 	<ul style="list-style-type: none"> Bank account may go overdrawn, ledger to interest charges School will be unable to complete the mandatory return or be late
<ul style="list-style-type: none"> VAT Long Summary and VAT Full Report 		Monthly	To be retained at school	<ul style="list-style-type: none"> To support reconciliation of VAT return 	<ul style="list-style-type: none"> School VAT reimbursement will be delayed if VAT not reconciled

VAT Returns Guidance

The following reports must be produced in line with the VAT timetable produced by the Schools Finance Team.

a) VAT submittal report or similar

The report must include the net outputs and net inputs and the recoverable VAT total for the relevant VAT period.

An analysis of VAT incurred against each rate should also be included.

Expenditure		Receipts/Income	
VE	Exempt from VAT Expenditure	AE	Exempt from VAT Income (0%)
VL	Low-rate VAT expenditure (5%)	A2	Low-rate VAT income (5%)
VO	Outside scope expenditure	A8	Non-Business Income (0%)
VR	Standard rated VAT expenditure (20%)	AR	Standard VAT Income (20%)
VZ	Zero rate VAT expenditure (0%)	A9	Zero rated Income (0%)

The report must be certified by the Head Teacher or Bursar as being a correct record of expenditure and income properly incurred on school activities, that supporting information is available within the records maintained at the school and the net amount of VAT is claimed or a cheque enclosed for the net amount of VAT received.

b) VAT full report

The report must include details of each transaction for the relevant period, i.e.:

-

Date
Description
Reference
Outputs net
Inputs net
VAT amount

Template Example: Bank Account Reconciliation

Annex A

BANK ACCOUNT RECONCILIATION

School:	XYZ	Month:	
Cost centre:	REAXX		
Bank Account Name:			
	Public Funds only		
Bank Account Number:			
		£p	
Balance of cash at bank per bank statement (Note 1)			
Less unrepresented cheques			
		0.00	
Add unrepresented income			
		0.00	
Cash balance per Financial System (note 2)		0.00	

Notes

1. Include copy bank statement to corroborate cash at bank balance
2. Include print from Financial System to corroborate cash balance.

I hereby certify that the above gives a correct statement of the cash balance held at the bank and of the reconciliation to the bank account on Financial System.

Signed:- _____

Head Teacher/Bursar (employee of school)

Dated:- _____

Appendix F

Template Example:

Termly Returns Workbook Annex B: Income and Expenditure Statement

Annex B

School:

Fund Centre:

NB.
Please complete
blue shaded areas
only

CFR	Voyager commitment item	Net Expenditure - 31/12/2015	PUBLIC FUNDS				Estimated Capital Expenditure 1st Jan 2016 - 31 Mar 2016
			SBS				
			Revenue	Devolved Capital	Capital funded by Revenue	Actual expenditure 31.12.2015	
EXPENDITURE							
E01	A040	Teachers - Pay				0.00	
	E040	Teachers - National Insurance				0.00	
	F040	Teachers - Superannuation				0.00	
	A040	Teachers - Music - Pay				0.00	
	E040	Teachers - Music - National Insurance				0.00	
	F040	Teachers - Music - Superannuation				0.00	
E02	A050	Teachers - Relief - Pay				0.00	
	E050	Teachers - Relief - National Insurance				0.00	
	F050	Teachers - Relief - Superannuation				0.00	
	A020	Teachers - Relief (Vacancy) - Pay				0.00	
	E020	Teachers - Relief (Vacancy) - National Insurance				0.00	
	F020	Teachers - Relief (Vacancy) - Superannuation				0.00	
E26	G040	Teachers - Relief - Supplied by Outside Agencies				0.00	
Total Teaching Staff			0.00	0.00	0.00	0.00	
E03	A100	Integration Assistants - Pay				0.00	
	E100	Integration Assistants - National Insurance				0.00	
	F100	Integration Assistants - Superannuation				0.00	
	A110	Classroom Support - Pay				0.00	
	E110	Classroom Support - National Insurance				0.00	
	F110	Classroom Support - Superannuation				0.00	
	B5P0	Pre/After School Clubs Staff - Wages				0.00	
	E5P0	Pre/After School Clubs Staff - National Insurance				0.00	
	F5P0	Pre/After School Clubs Staff - Superannuation				0.00	
E04	A0M0	Premises Staff - Pay				0.00	
	E0M0	Premises Staff - National Insurance				0.00	
	F0M0	Premises Staff - Superannuation				0.00	
	B5T0	Cleaning and Janitorial Staff - Wages				0.00	

Appendix G

Template Example:

Termly Returns Workbook Annex C: Cashflow Statement

Annex C

2007/2008 CASHFLOW STATEMENT

School: XYZ
 Cost centre: REAXX

Budget Plan £	Budget Heading	April £	May £	June £	July £	August £	September £	October £	November £	December £	January £	February £	March £	Total £
	Balance b/f		0	0	0	0	0	0	0	0	0	0	0	0
	Income													
	List all budget headings e.g.													0
	SBS instalments													0
	Contingency allocations													0
	VAT refunds													0
	Interest													0
	Standards Fund													0
	Other Miscellaneous													0
														0
														0
														0
														0
														0
														0
	Total Income	0	0	0	0	0	0	0	0	0	0	0	0	0
	Expenditure													
	List all budget headings e.g.													0
	Employee costs													0
	Repairs and maintenance													0
	Electricity													0
	Gas													0
	Cleaning													0
	Equipment													0
	Exam fees													0
	Miscellaneous													0
	VAT													0
														0
														0
														0
														0
														0
	Total Expenditure	0	0	0	0	0	0	0	0	0	0	0	0	0
	Net monthly cash flow	0	0	0	0	0	0	0	0	0	0	0	0	0
	Balance c/f	0	0	0	0	0	0	0	0	0	0	0	0	0

Signed:- _____
 Head Teacher

Dated:- _____

A copy of the governor approved budget plan should be included if different from the plan submitted in May or July as appropriate.

Template Example:

Year End Workbook Checklist

FINAL ACCOUNTS CHECKLIST
PLEASE COMPLETE TO INCLUDE PENCE

School: PRIMARY Primary X
 Secondary
 Cost centre: Enter X as appropriate
 Advance a/c:

Forms	Completed Yes/No	Validation Check	Difference £p	Reconciliation test
FA1	<input type="text" value="Yes"/>	True	0.00	Movement on "Public Funds" on balance sheet (FA2) MUST equal net under/overspend in year
FA2	<input type="text" value="Yes"/>	True	0.00	Net assets MUST equal "represented by funds" on balance sheet FA2
FA3	<input type="text" value="Yes"/>	True	0.00	Bank figure on balance sheet (FA2) MUST equal sum of balances on analysis forms FA3 a,b,c,d & e
FA4	<input type="text" value="Yes"/>	True	0.00	Creditors analysis on FA4 MUST equal current liabilities on balance sheet (FA2)
FA5	<input type="text" value="Yes"/>	True	0.00	Debtors analysis on FA5 MUST equal debtors line on current assets (FA2)
FA6	<input type="text" value="Yes"/>			
FA7	<input type="text" value="Yes"/>	<input type="text" value="True"/>	<input type="text" value="0.00"/>	Balance of loan outstanding on FA7 MUST equal outstanding loan repayments on (FA2)
FA8	<input type="text" value="Yes"/>			
FA9	<input type="text" value="Yes"/>			
Payments	<input type="text" value="Yes"/>			

SUPPORTING DOCUMENTATION - SCANNED / HARDCOPIES REQUIRED

Navigation: Welcome | CHECKLIST | VOYAGER JNLS | FA1 | FA2 | FA3 (a) | FA3 Unrepresented Cheques | FA3 (b) | FA3 (c) | FA3 (d) | FA3 (e) | FA4 | FA5 | FA6 | FA7 | FA8 | FA9 | Payment

Cheque Book Schools Procedures for Sending Financial Returns by E-Mail

1. Monthly VAT Reimbursement.

1.1 Run monthly VAT report.

1.2 Complete monthly bank reconciliation.

1.3 Scan first page summary of the vat report and the last page showing the vat totals by code, then e-mail to the 'FullCBSMailbox', together with the Bank reconciliation, list of unreconciled items, balance sheet and bank statement.

1.4 Any documentation missing will delay payment of the VAT reimbursement.

1.5 Senders e-mail used as authorisation for completed documentation – this must be from school staff e-mail address only, not a financial services provider.

1.6 Notification will be sent to schools that the e-mail has been received by the Cheque Book Compilation Team

1.7 Schools must keep paper copies of all documentation on file for future audit.

1.8 All information is confidential and access to the 'FullCBSMailbox' is restricted to the Schools Finance Team only and the server is backed up daily

2. Termly Workbook Returns

2.1 The Schools Finance Team will send out a template for termly workbook returns at end of June and December. The Workbook returns must be completed and e-mailed with trial balance and cashflow to the 'FullCBSMailbox'.

2.2 Where schools had capital expenditure and/or grant income, supporting documents must be sent to FullCBSMailbox e.g., copy of capital expenditure invoices, copy of grant condition letter if any grant income is posted to 8A00 (Government Grants), 8A01 (Other Grants)

2.3 Any documentation missing will delay payment of future VAT reimbursements.

- 2.4 Senders e-mail used as authorisation for completed documentation – this must be from school staff e-mail address only, not a financial services provider.
- 2.5 Notification will be sent to schools that the e-mail has been received
- 2.6 Schools must keep paper copies of all documentation on file for future audit
- 2.7 All information is confidential and access to the 'FullCBSMailbox' is restricted to Schools Finance Team only and the server is backed up daily
- 2.8 All returns will be checked and verified. Schools are required to deal with all possible relevant queries promptly

3. End Of Year Workbook

- 3.1 EOY workbook sent by the Schools Finance Team to school staff e-mail address – not to a financial services provider.
- 3.2 EOY workbook completed by school and e-mailed with trial balance, system balance sheet, bank statement up to 31 March, copy of capital expenditure invoices, copy of grant condition letter if any grant income is posted to 8A00, 8A01, copy of unpaid invoices and list of debtors/creditors to the 'FullCBSMailbox'
- 3.3 Any documentation missing will delay agreement of EOY closing balance and future VAT reimbursements.
- 3.4 Senders e-mail used as authorisation for completed documentation – this must be from school staff e-mail address only, not to a financial services provider.
- 3.5 Notification sent to school that e-mail received
- 3.6 All information is confidential and access to the 'FullCBSMailbox' is restricted to the Schools Finance Team only and the server is backed up daily
- 3.7 All returns will be checked and verified. Schools are required to deal with all possible relevant queries promptly
- 3.8 Schools need to send in a copy of the FA2 balance sheet, signed and dated by the Head Teacher. This can be sent by e-mail FullCBSMailbox@birmingham.gov.uk
- 3.9 Schools must keep paper copies of all documentation on file for future audit

Example Letter of Assurance (Dates will change each year)

To: Head Teachers of Primary, Secondary and Special Schools Operating the Full Cheque Book Scheme

Letter of Assurance for the 2018/19 Year End Accounts Process

Section A:

We seek your assurances that the following steps will be taken by your school to ensure year end workbooks are completed and submitted by closedown deadline as set out below and in the attached Cash Advances letter:

- All relevant school staff involved in the closedown process are aware of the deadline date.
- Your provider of financial services to the school (if you have one) is aware of the deadline date and that any support is arranged to enable the completion of the accounts by the **4th April 2019**. Responsibility for ensuring completion and compliance with the deadlines lies with the school and not the providers.
- Your school will have internal arrangements in place to complete the financial returns and submit these to the Local Authority by the **4th April 2019**.

Section B:

If the school are not able to give the reassurance, please outline the reasons in this section:

Please sign here: _____
Head Teacher Name: _____
School Name: _____
Date: _____

Please scan the signed letter and return to the Local Authority via the mailbox: FullCBSMailbox@birmingham.gov.uk by 31st May 2018 and state clearly the school name in the subject box with subject "Reassurance Return".

Thank you for your co-operation.