



Transitioning to a Cheque Book School

Guidance note for Schools

September 2024

1. Summary

1.1. This guidance sets a process and timeline for Schools to become a Cheque Book School CBS, what happens to a surplus or deficit balances when a School ceases to be a Non Cheque Book School (NCB) or and External Payment Account (EPA), banking arrangements, payroll process, and the key responsibilities of both the Local Authority (LA) and the School during transition.

2. Who is this guidance for?

2.1. This guidance is for:

1. School leaders, School staff and governing bodies in all maintained Schools who do not currently run a Cheque Book School
2. LA Officers

3. What is a Cheque Book School

3.1. A Cheque Book School (CBS) is where a School operates its own bank account, receives funding into and makes payments from its own bank account. The bank account can be part of the LA's banking contract with Barclays bank, or another bank chosen by the school.

3.2. CBSs operate their own financial monitoring system to record annual opening balances, budgets, in year income and expenditure, raise purchase orders, record VAT, budget monitoring and closure of accounts. They also hold their own balances. There are separate arrangements for Schools in deficit, see section 11.

3.3. The responsibility to manage the School's financial matters are devolved, however Schools must continue to abide by the LAs financial standing orders when setting up internal processes and will be part of any internal and external audit procedures and requests. The LA remains the accountable body for all maintained Schools.

4. Dates when Schools will transition to a Cheque Book School

4.1. There will be three dates for Schools to transition to CBS being

1. 1 November 2024
2. 1 January 2025
3. 1 April 2025

4.2. These dates have been set in line with quarter start dates and there are some conditions that need to be met before a School can become a CBS. These are:

- The full Governing Body are required to agree the transition
- The school must have a bank account
- The school must agree their financial position for the year in which they are transition to CBS
- Schools in deficit must have agreed a financial recovery plan with the LA

The LA will work with Schools to ensure these conditions are met. We endeavour to meet these deadlines; however the dates may slip due to unforeseen circumstances.

5. Setting up a Bank Account

5.1. Schools converting the CBS must have their own bank account in the name of the School. There are currently two options for this:

- **Option 1 – Schools transition their existing Barclays bank account**

The LA bank with Barclays bank and have a corporate banking contract with them. Under this contract, existing EPA and some NCB Schools already have a bank account known as either a petty cash account or imprest account. Schools with these accounts have the option to use this existing account as their CBS bank account and the process for this is as follows:

- School decides to keep their existing Barclays account under the LA's corporate contract and informs the LA of the new account name (which must be the names of the School), signatories and signing rules
 - Barclays change the account name and set up the signatories. The account number and sort code remain the same
 - There will be no need for Schools to set up new accounts, attend branches or verify signatories
 - From the date of transition, the LA will begin to pay monthly instalments of the School's budget share into the Schools bank account
 - The Local Authority will then work with the school to agree a balance at the day of transition. This balance will include:
 - Balances brought forward from the prior year
 - In year budget share payments from the LA
 - In year grant payments from the LA
 - Other Income
 - Expenditure
 - Debtors and creditors
 - Prepayments and income in advance
 - If the agreed balance is a surplus, this will be paid by the LA into the School's bank account
 - The bank account will allow Schools to pay suppliers on a three-day payment process, access to online banking, and dedicated support from both Barclays and the LA's Schools Finance Team
 - Full training will be provided by Barclays Bank during set up with a dedicated Relationship Managers for all Schools regardless of your income level
 - Income from the LA will be received promptly into the School's bank account and any emergency payments can be made seamlessly
 - Annual interest payable on balances
 - Bank Charges will apply as per the LA's corporate contract with Barclays and will be competitive
 - Authorised users will need to use personal smart phone to log into the Schools bank account
- **Option 2 – Schools act independently to open an account**

Schools can choose to open an account with an external bank outside the LA’s banking contract. Normal account opening procedures will apply and the LA would suggest a 3-month lead time is required when opening a new bank account.

- From the date of transition, Schools will need to operate their existing LA bank account until all payments and income have cleared, as well as the new bank account. Monthly bank reconciliations will need to be sent to the LA until the existing LA bank account has cleared
- From the date of transition, the LA will begin to pay monthly instalments of the School’s budget share into the new bank account
- Once the existing LA bank account has cleared and no further payment or income is expected, the LA will agree the closing balance with the School from the date of conversion. The following will be included in this calculation:
 - Balances brought forward from the prior year
 - In year budget share payments from the LA
 - In year grant payments from the LA
 - Other Income
 - Expenditure
 - Debtors and creditors
 - Prepayments and income in advance
 - The existing LA bank account will then be closed
- If the agreed balance is a surplus, this will be paid by the LA into the School’s new external bank account
- If the agreed balance is a deficit, the LA will agree a budget advance following an agreed deficit recovery plan, see section 11.

6. Payroll Cost

6.1. Payroll costs for most Schools represent approximately 75% of all School costs although this percentage may vary from School to School. Schools transitioning to CBS from 1 November will have new way of managing and paying for their payroll costs depending on who provides the payroll service.

6.2. Birmingham City Council’s Council Payroll Services

If your School uses Birmingham City Council payroll services, from the date of transition, the way in which your payroll costs are managed will change. The LA will work with the School to estimate the costs of payroll for the remaining year and will centrally retain the budget for this. The remaining budget share will be paid into your bank account on the 1st of every month. For example:

Schools Annual Budget Share	£3,000,000
Retention of Estimated Payroll Cost (approx. 75%)	(£2,250,000)

Budget Share Payable to School	£750,000
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- 6.3. Every quarter, the School will provide the LA with an updated estimate of payroll costs for the remaining year and the LA will subsequently amend the budget share payable to the Schools. Over/under payments will be phased equally over the remaining monthly payments.
- 6.4. The process will stop the need for the LA to raise invoices to the School to collect payment for payroll costs and Schools will be able to manage cashflow more effectively.
- 6.5. Birmingham payroll services will provide the Schools with a monthly breakdown of their payroll costs, by the 28th day of the month.

6.6. External Payroll Services

If your School uses an external payroll provider, the LA will pay your School their full monthly budget share on the 1st of every month.

7. Process and timeline for transitioning to a Chequebook School

- 7.1. There will be three dates for Schools to transition to CBS being
 1. 1 November 2024
 2. 1 January 2025
 3. 1 April 2025

For Schools to transition to CBS, the conditions set out in paragraph 7.2 need to be met two weeks before the date of transition.

- 7.2. In Summary, the following needs to be met before a Schools can transition to CBS
 - School sends the LA a completed Appendix A and B
 - The School ensure they have a bank account, either with Barclays under the Birmingham City Council contract or an external bank account
 - The School and LA agree 2023/24 closing balances

8. Financial Systems

- 8.1. As part of the transition from Oracle to CBS, each School must have an appropriate financial monitoring system. Schools must have the right level of support and skill to ensure that correct balances are entered onto the financial monitoring system on the day of transition and that the system is able to report using the Consistent Financial Reporting framework (CFR). Some Schools may already purchase relevant IT and systems support however if this is not the case, please advise the LA when completing section 9 of appendix B.

9. Purchase Cards

- 9.1. Purchase cards from NatWest are offered by the LA to all maintained schools and this offer will continue when schools transition to CBS. Once schools have transitioned, there will be a requirement for the schools to pay off outstanding monthly balances from the schools own bank account via direct debit.
- 9.2. If you wish to retain your existing purchase card, you must notify us in appendix B. During the transition to CBS, your purchase card account will be suspended for up to 5 weeks while the LA
 - Sets up the direct debit for payment of your monthly spend on the purchase card
 - Processes/updates the mandate for purchase card
 - Sets up an individual billing unit between the school and Natwest
- 9.3. The LA will support schools through the process and once set up, continue to support schools, as necessary.
- 9.4. Schools will receive monthly e-statements from the LA showing detailed spend on the purchase card.

10. Consistent Financial Reporting (CFR)

- 10.1. The Consistent Financial Reporting (CFR) framework provides a standard template for Schools to record and report information about their income and expenditure by financial year and the LA also reports to the Department for Education (DfE) in the same way on behalf of maintained schools. The information also supports the DfE's data collection and benchmarking service.
- 10.2. In line the CFR framework, from 1st September 2024, all maintained School must report to the LA in CFR format use the same format when reporting locally at School level. All returns will require Schools to use CFR codes only and no return will be accepted if another format is used.
- 10.3. Balances on transition will be agreed in CFR format and these will need to be mirrored when entered onto the local School financial monitoring system.
- 10.4. The LA will communicate this process to Schools and provide appropriate guidance on how to ensure CFR reporting is correct and in line with both the DfE's and LA's requirements.

11. Schools in Deficit

- 11.1. If your School has a deficit balance or if you have been unable to set a balanced budget in financial year 2024/25, you will need to agree a deficit recovery plan with the LA. Under the Scheme for Financing Schools, Schools in deficit must have a financial recovery plan which ensures that the School can recover from the deficit within three years of first going into deficit.

11.2. Once the recovery plan has been agreed by the LA, you can apply to transition to a CBS by completing the attached Appendix A and B. If necessary, the LA will agree a budget advance for your School and recovery progress will be monitored monthly via a separate Schools in deficit recovery plan monitoring process.

12. Key Contacts / emails address

- 12.1. Schools Finance – (FairFunding@Birmingham.gov.uk)
- 12.2. Payroll Seamus Cooney & Kevin Whitby (seamus.cooney@birmingham.gov.uk & kevin.whitby@birmingham.gov.uk)
- 12.3. Human Resources - please contact your designated HR Officer
- 12.4. School Improvement/School Causing Concern – (school.improvement@birmingham.gov.uk)
- 12.5. Barclay Bank - (FairFunding@Birmingham.gov.uk)
- 12.6. Schools Financial Services – (sfs@birmingham.gov.uk)
- 12.7. Purchase Cards – (elaine.a.smith@birmingham.gov.uk)

APPENDIX A

LA1 - CHEQUE BOOK SCHEME

TO: Neill Butler

Business Partner – Children & Young People

Directorate for Education & Skills

PO Box 16306

Birmingham

B7 4BL

School Name:

DfE No: 330/____

Planned Date of transition to Chequebook School (delete as appropriate):

On dd/mm/yyyy, the Governing Body of our School agreed to transition to a Chequebook School.

1. We confirm that
 - a) We understand the LA's procedures around transitioning to a CBS
 - b) Appendix B has been completed and is attached
 - c) The minutes of the meeting dated dd/mm/yyyy are attached
 - d) The School will comply to all financial return requirements as prescribed by the LA

2. We confirm that the School will have implemented the required changes by the date of transition to fulfil the conditions of the Cheque Book Scheme.

Please complete electronically	Chair of Governors	Head Teacher
Signed:		
Name:		
Date: dd/mm/yyyy		

Appendix B

Transition to CBS process and timeline

Complete this checklist and send it to FairFunding@Birmingham.gov.uk along with the completed Appendix A, LA1 - CHEQUE BOOK SCHEME.

CHECKLIST – PLEASE COMPLETE		COMPLETE/ CONFIRM
1	Governing Body have agreed to transition to a CBS, bank signing and authorisation rules. The agreement has been minuted. signing rules agreed/ finance policy reviewed	<input type="checkbox"/>
2	School has completed appendix A, LA1 Chequebook Scheme, attached minutes of the meetings where transition was agreed. The LA must receive the completed LA1 at least a month before the transition date.	<input type="checkbox"/>
3	School Bank Account – Please select either 3.1 or 3.2	
3.1	Barclays Bank (under LA corporate contract) Proposed Account Name: Existing Account Number: Existing Sort Code: Signatories & Position: Signing rules:	<input type="checkbox"/>
3.2	External Bank Account Account Name: Account Number: Sort Code: The School agrees to provide the LA with monthly bank reconciliation to until the existing LA account is cleared	<input type="checkbox"/>
4	Payroll – Please select either 4.1 or 4.2	
4.1	Internal – Birmingham City Council Payroll Services	<input type="checkbox"/>
4.2	External Payroll Services	<input type="checkbox"/>
9	Financial Systems	
9.1	Do you receive support for financial systems?	<input type="checkbox"/>
9.2	Who is your provider?	
12	Consistent Financial Reporting - All maintained Schools must use the CFR report framework both locally and when reporting to the LA	<input type="checkbox"/>
13	Does your school currently have a NatWest purchase card via the LA?	<input type="checkbox"/>