**PETTY CASH**

**Key Contacts**

|  |  |  |
| --- | --- | --- |
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**Petty Cash**

**1. Purpose**

1.1 Petty Cash is an amount of money held by establishments in cash, or in a bank account, to meet minor items of expenditure.

1.2 All Petty Cash accounts are kept on an imprest basis. This means that at any point in time the sum of the value of the receipts, outstanding Petty Cash claims, cash in hand and the bank account balance should equal to the amount of the Petty Cash imprest.

1.3 Claims for the reimbursement of Petty Cash imprests should be made to Accounts Payable. It is advised that this is done each time a quarter of the imprest is spent.

1.4 Request for permanent or temporary imprest should be made in writing from the head teacher to SchoolsPettyCashAdmin@birmingham.gov.uk.

**2.** **Petty Cash Purchases**

2.1 A Petty Cash imprest account is held to pay for items of expenditure, which cost less than £100 (with the exception of TV licenses and educational visits) and which cannot be purchased through the normal official ordering system, or are required as a matter of urgency. Receipts must be obtained for all items of expenditure and retained at schools for audit purposes. Petty Cash must only be used for purchases of less than £100. (Items marked with an asterisk below are exceptions to this guidance.) The Head Teacher is responsible for approving the exceptional purchase, and must document the approval, along with the date and the reason.

2.2 The following are examples of items that can be purchased out of Petty Cash:

* Postage
* Pupil Bus Fares
* Pupil Taxi Fares
* Pupil subsistence and meal allowances.
* Stationery
* Subscriptions
* Governor’s Expenses
* Educational Visits \*
* TV Licences \*

2.3 The following should **not** be paid out of Petty Cash:

* Goods and services which can be ordered through the normal CMIS/FMS ordering process
* Claims for disturbance allowance or relocation expenses
* Salaries
* Mileage allowances; Car Parking Fees, Bus Fares and Taxi Fares
* Hire of DVD’s from High Street shops
* Travelling expenses incurred going to and from home to the normal place of work, unless by taxi on an irregular basis after 9.00pm
* The cashing of personal cheques;
* Salary payments to individuals (see Schools HR Portal for further guidance).

3. Opening an Account

3.1 You will need to complete the “Open New Petty Cash Account” form. See link to the form in **Appendix A.**

The completed documents with original signatures should be sent to:

Schools Finance Team- Petty Cash

Directorate for Children & Young People

PO Box 16306

Ground Floor

Woodcock Street

Birmingham

 B2 2XR

Please keep a copy for your records

A scanned copy should also be sent to: SchoolsPettyCashAdmin@birmingham.gov.uk

3.2 Once the account is opened Barclays Bank will send the cheque book to the establishment. Should any interim arrangements be required before receipt of the cheque book, contact Schools Finance Team - Petty Cash SchoolsPettyCashAdmin@birmingham.gov.uk

4. Petty Cash Imprest Increases

4.1 Permanent Increases

4.1.1 Requests for a permanent increase to the imprest, should be made in writing by the Head Teacher, setting out the reasons and the amount required, emailing to SchoolsPettyCashAdmin@birmingham.gov.uk.

4.1.2 Decisions for approval will depend upon the reasons for the increase and the previous administration of the account. For example, more frequent claims for reimbursement may well negate the need for an increase.

### 4.1.3 If approved, a BACs payment for the increase in the imprest will be raised and paid into your account. This transaction will normally take approximately four to five working days. Accounts Payable will notify schools by “remittance advice” when this has been actioned.

## 4.2 Temporary Increases

### 4.2.1 Occasionally, if there are a number of Petty Cash items to be paid for urgently and a Petty Cash reimbursement claim has not been submitted, you may request a temporary increase in your imprest to avoid going overdrawn on your account.

4.2.2 Requests for a temporary increase to the imprest, should be made in writing by the Head Teacher, setting out the reasons and the amount required, emailing to SchoolsPettyCashAdmin@birmingham.gov.uk

### 4.2.3 If approved, a BACS transfer will be raised and paid into petty cash account. Accounts Payable will notify schools by Remittance Advice when this has been actioned. To set up a remittance notification forward an mail address to vendordata@birmingham.gov.uk

### 4.2.4 When a school requires a temporary increase to be recouped the next Petty Cash reimbursement claim must be submitted in excess of the temporary increase to enable this amount to be deducted. The claim should be clearly marked **“CLEARANCE OF TEMPORARY INCREASE**" quoting the ledger code that the deduction needs to be made from. As the increase is only temporary, schools will not be reimbursed for the portion of the claim relating to the increase.

4.2.5 Temporary increases cannot be transferred to the permanent imprest. The temporary imprest must be re-paid and a request for a permanent increase is as directed at 4.1.1

# **5. Change of Authorised Signatory**

5.1 Where a change to the authorised signatories is required, the appropriate page(s) on form “Change of Petty Cash Details” must be completed.

A scanned copy should be sent to: SchoolsPettyCashAdmin@birmingham.gov.uk

The original signed form should be sent to:

Schools Finance Team- Petty Cash

Directorate for Children & Young People

Birmingham City Council

PO Box 16306

Ground Floor

Woodcock Street

Birmingham

 B2 2XR

 Please keep a copy of for your records

## 5.2 It is very important, and recommended as good practice, that the account is reconciled before the new signatory accepts responsibility for the account and that a copy is made available for this person. Details of how to reconcile the Petty Cash imprest are contained in Section 12 of this document.

## 5.3 Once the completed form has been passed to Barclays Bank it will take approximately 5-10 working days to become effective. To confirm this contact Barclays Bank – Client Services, on 0800 206 1707

# **6. Open Credit Arrangement**

6.1 An **Open Credit Arrangement (OCA)** is a method by which schools can access cash from their account. Schools can open or change an OCA at any time by completing an OCA mandate form within the open or change petty cash forms. Scan the completed form and send a copy to:

 SchoolsPettyCashAdmin@birmingham.gov.uk.

 Post the original form to:

Schools Finance Team- Petty Cash

Directorate for Children & Young People

Birmingham City Council

PO Box 16306

Ground Floor

Woodcock Street

Birmingham

B2 2XR

6.2 If schools have an OCAin place (not all sites do) ONLY the authorised OCA signatories will be able to take a cheque into the nominated Barclays branch and cash it. There is a limit of £200.00 per cheque for all schools to minimise the amount of cash held on school premises.

## 6.3 Please follow the steps below to cash a cheque:

## Ensure it is the nominated Barclays branch

* Ensure you are sending an OCA signatory
* The OCA signatory will need to take photo ID e.g. photo driving license

# **7. Closing Petty Cash Accounts**

7.1 A “Closure of Petty Cash Account” form should be completed and returned to SchoolsPettyCashAdmin@birmingham.gov.uk . The account will be closed when documents are received and checked, and all transactions are cleared.

7.2 If a Petty Cash imprest account is no longer required, for example where an establishment is closing, then the Directorate for Children & Young People should be notified at, SchoolsPettyCashAdmin@birmingham.gov.uk. A Petty Cash reimbursement claim should be completed for all outstanding items and submitted electronically to pettycash@birmingham.gov.uk which is monitored by Accounts Payable. This should be clearly marked "FINAL CLAIM ACCOUNT CLOSING".

## 7.3 As part of the final claim process, schools will need to ensure that all cheques written against the Petty Cash account have been stopped, cancelled or presented at the bank. Schools will need to request an up-to-date bank statement from the bank to check this, but the account will not be closed until all transactions have been cleared.

## 7.4 If the situation arises where upon checking the bank statement, a cheque has been issued previously but never presented, and the school has previously claimed for this item, then schools will have a surplus on the account. In closing the account, Accounts Payable will make relevant adjustments for this.

## 7.5 The Petty Cash account must also be reconciled and agreed to the approved imprest level. The final Reconciliation form (within the closure form) must be submitted together with a copy of the final bank statement. If schools have any cash in hand for the account on the premises, this must be paid into the Barclays branch as soon as possible.

## 7.6 All remaining Barclay’s cheques should be made unusable by writing or stamping “CANCELLED” across the face of each cheque and counterfoil in ink.

# **8. VAT**

## 8.1 When purchasing goods and services it is important that, where a trader is registered for VAT, a VAT receipt is obtained. This is because the tax element of the purchase price can be recovered from HMRC.

8.2 Certain items are classified as "zero rated", or “exempt”, so no VAT is charged. Examples of such items are as follows:

Zero rated:

* Food except: ice cream, confectionery, soft drinks, crisps and salted/roasted nuts;
* Sewerage services and water (except for industrial use);
* Books and other printed matter, e.g. booklets, brochures, pamphlets, leaflets, newspapers, journals, magazines, children’s picture books and painting books, music, maps, charts and topographical plans;
* Talking books for the blind or wireless sets for the blind;
* Passenger transport in a vehicle capable of carrying 10 or more passengers, e.g. buses, trains, trams etc.;
* Drugs, medicines and aids for the disabled;
* Charity advertising;
* Clothing and footwear for children subject to certain sizes

Exempt:

* Insurance;
* Postal services by the Post Office, e.g. stamps;
* bank charges etc.;
* Subscriptions to trade unions and professional bodies;
* Sports competitions where entry fees are wholly allocated to prizes;
* One-off fund-raising events by charities, e.g. jumble sales, fayres;

## 8.3 VAT is charged on most items at a rate of 20% and includes the following items:

* Stationery
* Note pads (in which to write)
* Electrical items
* Petrol, diesel, motor oil
* Sweets, crisps

## 8.4 VAT Receipts

### 8.4.1 Where a trader is registered for VAT and the goods and services are subject to VAT, a receipt must be obtained which shows the following information:

* Name and address of supplier
* VAT registration number of supplier
* Details of the goods or services purchased
* Total cost including VAT
* Total cost excluding VAT
* Total of VAT
* Date of purchase

### 8.4.2 For any purchase over £100 the following additional information must be given on the invoice, which must be receipted:

* Name of the establishment being supplied
* Quantity of goods and services supplied
* Value of the goods and VAT shown separately
* Any discount given
* The invoice must be sequentially numbered.

## 8.5 How to Calculate the VAT on Purchases

### 8.5.1 Net Price - VAT at 20% can be calculated by dividing the total amount spent by 100 and then multiplying by 20.

###  Gross Price - VAT at 20% can be calculated by dividing the VAT inclusive amount by 6.

###  See the ‘**VAT’** chapter for more detailed guidance.

# **9. Petty Cash Reimbursement**

## 9.1 Petty Cash account holders are advised to submit claims for reimbursement when approximately one quarter of the approved imprest level has been expended. This will allow sufficient time for a reimbursement BAC payment to be processed and forwarded to the bank and credited to into the account, thus avoiding an overdrawn balance.

## 9.2 Do not wait until all of your approved imprest has been expended before submitting a reimbursement claim. It is likely that there will be other items to reimburse which will cause the bank account to be overdrawn

## 9.3 Any imprest accounts with overdrawn bank balances will incur bank charges. Account holders are responsible for these charges which should be charged to school budget share.

## 9.4 All claims by schools are to be processed electronically by e-mailing the Petty Cash reimbursement claim to the Accounts Payable Section at pettycash@birmingham.gov.uk The procedure to follow is detailed below:

## 9.5 Schools should record voucher and receipt details on their CMIS/FMS system and produce the appropriate Petty Cash reports as currently carried out.

9.6 Schools should not submit the above CMIS/FMS Petty Cash report to Accounts Payable but transfer the consolidated coding and amount information to Form PC8B.

9.7 Form PC8B must agree with the amount shown on the CMIS/FMS Petty Cash report.

9.8 Each time a Petty Cash claim is produced, schools must ensure that all fields on Form PC8B are complete:

* School name
* Date of claim
* Petty Cash bank account number
* Claim/reference number
* Relevant VOYAGER budget codes (cost centre, subjective, funding element) and amounts

##  Authorising signature typed (as per those signatures on the CMIS/FMS Petty Cash report)

9.9 Form PC8B must then be e-mailed to pettycash@birmingham.gov.uk

A copy of Form PC8B must be attached to the CMIS/FMS Petty Cash report and receipts retained at schools for audit purposes.

### 9.10 On receipt of the completed Form PC8B, Accounts Payable will process the reimbursement. Once payment is made you will receive a BACS remittance electronically. To set up a remittance notification forward email address to vendordata@birmingham.gov.uk

## 9.11 All Petty Cash vouchers, receipts and reports must be retained by schools for six years in line with current Financial Regulations.

## 9.12 As CMIS/FMS does not identify which transactions have been previously reimbursed, it is important that schools check that items on each claim have not previously been reimbursed, as this will cause schools difficulty in reconciling to the approved imprest.

## **10. Security**

## 10.1 Adequate security must be provided for the Petty Cash (cash in hand) and cheque books held at establishments. They must be locked in a safe and the keys carried by the imprest holder or nominated deputy at all times.

## 10.2 Only one cheque book should be in use at any one time for an account, each book being exhausted before cheques are issued from the next. The cheque numbers continue from book to book and should be used in numerical order.

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

* Wall safe - £125
* Freestanding or floor safe - £500

## 10.4 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. See **‘Insurance’** chapter,

##  Cash held in a filing cabinet is not covered by the Local Authority’s "Cash in Transit" policy. The Insurance Manager can be contacted if any further details are required (0121 303 4829)

## **11. Year End Procedure**

## 11.1 At the end of each financial year, a reconciliation of the Petty Cash imprest account as at 28th/29th February must be completed, signed by the Head Teacher and submitted to Schools Finance Team – Petty Cash. See link to the form in **Appendix D.**

##  The completed/signed form should be submitted as soon as possible by the third Friday in March as specified in the reconciliation form. This is a mandatory return and failure to comply may result in the Petty cash facility being withdrawn.

## 11.2 Detailed imprest reconciliation guidance can be found in Section 12 of this procedure note.

## 11.3 Schools must ensure that any items of expenditure are charged to the correct financial year.

# **12. Petty Cash Imprest Reconciliation**

## 12.1 Schools are recommended to reconcile to the approved imprest level at the end of each term at the very least and it is good practice to reconcile on a monthly basis.

## 12.2 Please read these notes in conjunction with the Reconciliation Certificate.

## Petty Cash Imprest Level (A): Form reference number 3.1

 This figure should be the Local Authority approved imprest as at the date of the reconciliation.

##

##  (ii) Balance as per bank statement (B): Form reference number 3.2

##  Use the balance shown on the last bank statement issued prior to or on the last date ofFebruary.

 (iii) Less cash drawings not yet reflected on the bank statement: Form reference number 3.3

 (vi) Less any unpresented cheques: Form reference number 3.4

 Deduct any cheques drawn prior to the date of the statement but are not shown on the statement, i.e. have not been presented. Please note that any unpresented cheque(s) of six months old or over which have been claimed for and subsequently reimbursed by Accounts Payable, should be detailed on the next Petty Cash claim with an instruction that the claim should be reduced by the value of the cheque(s) not presented. Corresponding adjustments will then be made to the school's budget share revenue expenditure code.

 (v) Add: Claims not yet submitted: Form reference number 3.5

 Add any claims not yet submitted to the Local Authority

 (vi) Sub-Total (C)

 This is the sub-total of items 3.3)+3.4)+3.5)

 (vii) Add: Balance of cash in hand as at 28th / 29th February. Form reference number 3.6

 (viii) Add: Outstanding claims submitted but not yet received in the bank as at 28th/ 29th February: Form reference number 3.7

 (ix) Subtotal (D)

 This is the sub-total of items 3.6+3.7

 (x) Calculated imprest balance as at 28th/ 29th February: E

 This is the sum of the bank balance and the above subtotals (B+C+D), which is a revised imprest balance after taking into account of all relevant adjustments which are not reflected in the bank statement.

 (xi) Agreed Imprest Level less Calculated Imprest Balance F (=A –E)

 This is the difference between the school’s imprest level set /approved/agreed and the calculated/revised imprest level (after all the adjustments) as at 28th/ 29th February. The difference should be zero.

 12.3 Deficit/Surplus

 It is the school’s responsibility to list in detail the items that make up the deficiency/surplus.

 If, having taken into consideration all such items, schools cannot reconcile the deficit/surplus, it is suggested that a check of individual rows is made in case of miscalculations or omissions.

 In no circumstances should forms be returned until they are fully reconciled, i.e. all items making up the deficiency/surplus are shown if the balance (of the set/approved imprest level less the calculated/revised imprest level) is not nil.

 If a deficit/surplus exists on the reconciliation, once this has been returned to the Directorate for Children & Young People and checked, schools will be contacted and given guidance on how to rectify this.

## 12.4 These documents should be submitted by the third Friday in March as specified in the form:

* A copy of the Bank Statement dated 28th/29th February, upon which the end of year reconciliation is based.
* Completed Reconciliation Form/Certificate verified and signed by the Head Teacher

 By email: SchoolsPettyCashAdmin@birmingham.gov.uk

 Also, post the original documents to:

Schools Finance Team- Petty Cash

Directorate for Children &Young People

Birmingham City Council

PO Box 16306

Ground Floor

Woodcock Street

Birmingham

 B2 2XR

# **13. General Notes**

## 13.1 Non-Petty Cash income received on behalf of an establishment must not be paid into a Petty Cash account. It must be banked and paid into the school’s nominated Barclays account using a General Fund paying in book. Likewise, money must not be paid into a Petty Cash imprest bank account and all school fund monies (unofficial funds) should be administered separately from Petty Cash monies.

13.2 If a school is awarded a grant from an external body, it should be treated as an official fund; the organisation may request bank details to enable them to make payment by BACS. If this is the case, schools should provide them with details of the Local Authority’s General Fund bank account (as detailed below), not the Petty Cash bank account details.

 Bank Name: Barclays Bank PLC

 Bank Address: 15 Colmore Row, Birmingham, B3 2BH

 Sort Code: 20-07-90

 Account No. 53552667

 Account Name: BCC - General Fund

 Schools should ensure that all grant income is recorded correctly against the School Budget Share. To do this, schools should, on receipt of a remittance advice from the grant awarding organisation, email the Cash Books Section remittances@birmingham.gov.uk and provide the following information (call 0121 303 3277/3286 for queries):

* Date the payment will be made into the Local Authority’s bank account.
* Name of the organisation making payment and a reference number if provided.
* Value of the payment.
* Voyager code REA\*\* V000 A00

 The above reflects the correct procedure to follow for the receipting of grants and will avoid the use of the schools’ Petty Cash bank account details.

 Clearly, failure to follow these procedures will result in the funds being posted to the unidentified income account and could, ultimately, be lost to the school.

 Should schools require any clarification on this procedure please contact the Schools Finance Team – Petty Cash on 0121 464 5928.

## 13.3 To avoid the bank account becoming overdrawn and incurring charges, all transactions must be monitored. By taking the balance from the last bank statement, subtracting the value of cheques or cash drawn and adding reimbursement claims received, this will provide the balance in the account and agree with the next bank statement, subject to unpresented cheques.

## 13.4 If a cheque remains unpresented for three months, the person to whom the cheque was sent should be contacted to ask for it to be presented at their bank.

## 13.5 If the cheque has gone astray but payment is still required, it may be necessary to issue a replacement cheque and this must be cross-referenced to the original cheque and expenditure. Schools will also need to contact the bank and put a "stop" on the original cheque for which a fee may be charged.

##  Schools may well have submitted a reimbursement claim for the unpresented cheque, which will mean there will initially be a surplus on the account. However, when the replacement cheque is presented and deducted from the bank account then this will correct any surplus. This will need to be taken into consideration when reconciling the account.

## 13.6 In cases where payment has been made by a cheque, which is later cancelled, the value of the cheque may well have been recouped through a Petty Cash reimbursement claim. If it has, then schools will have a surplus in their bank account.

##  To correct this schools will need to write a Petty Cash cheque, made payable to "Birmingham City Council - Revenues", for the value of the cheque(s) not presented. Schools will also need to specify the expenditure code(s) that the items relating to the unpresented cheque were originally charged to, via the reimbursement claim. Please forward all cheques to:

Schools Finance Team- Petty Cash

Directorate for Children and Young People

Birmingham City Council

PO Box 16306

Ground Floor

Woodcock Street

Birmingham

 B2 2XR

##  This will need to be taken into consideration when reconciling the account.

## 13.7 If a cheque is not presented for payment within six months of the date of issue, the bank will not honour it. If payment is still required then a new cheque may be issued but this must be cross-referenced to the original cheque and expenditure (see 13.5 above).

##  Remember: DO NOT CLAIM FOR THE REPLACEMENT CHEQUE

## 13.8 If goods have not been received, even though the cheque has been presented, a reimbursement cheque should be obtained from the supplier/organisation/person concerned. This cheque should be sent to Accounts Payable indicating which expenditure codes should be credited.

## 13.9 Where a cheque is written and for any reason is subsequently not required, both the counterfoil and the cheque must be marked “cancelled" by the initiating signatory. The cheque must be retained with the Petty Cash account records. Adjustments should be made to reverse any entry in the records if necessary. Cheques must not be pre-signed.

 This is especially relevant before holidays or periods of extended absence. Signatories must only sign fully detailed cheques.

## 13.10 If one of the signatories is the beneficiary of a cheque, then the other two authorised signatories must sign the cheque.

## If the person who administers the account on a day-to-day basis is absent for a time, for example, due to annual leave, then, prior to this absence, responsibility must be passed on to another member of staff. Where a cash float is held, written notification of the cash value must be given to the person taking over responsibility, a reconciliation carried out and this person must check the cash value and sign to state they have received that amount.

**Appendix A**

**Open a new petty cash account**

**Appendix B**

**Change details within a petty cash account**

**Appendix C**

**Close petty cash account,**

**Appendix D**

**February financial year reconciliation form,**

**The above documentation is available via the following link:**

[**https://www.birmingham.gov.uk/downloads/download/1745/barclays\_banking\_petty\_cash\_arrangements\_for\_schools**](https://www.birmingham.gov.uk/downloads/download/1745/barclays_banking_petty_cash_arrangements_for_schools)