



## FULL CHEQUE BOOK SCHEME

### **Key Contacts**

<b>Name</b>	<b>Telephone</b>	<b>Email</b>
Cheque Book Schools Mailbox		<a href="mailto:FullCBSMailbox@birmingham.gov.uk">FullCBSMailbox@birmingham.gov.uk</a>
Schools Funding Team	0121 464 5958	<a href="mailto:FullCBSMailbox@birmingham.gov.uk">FullCBSMailbox@birmingham.gov.uk</a>
Schools Financial Services	0121 303 2678	<a href="mailto:Husham.Khan@birmingham.gov.uk">Husham.Khan@birmingham.gov.uk</a>

SFPM: Full Cheque Book Scheme

## 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 6<sup>th</sup> 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

- 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.

SFPM: Full Cheque Book Scheme



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.





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

- 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.





4.13.2 Any cancelled cheque must be clearly marked “CANCELLED” and retained for audit purposes with the paid invoices.

- 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.



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

**4.1541** 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-



more expenditure in the earlier part of the financial year will need to

- 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

If schools receive notifications of additions to School Budget Share (e.g., High Needs allocations etc

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

## 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

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: -



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 source (VA06.48 004400510003>400fn .c3l(12.34 Tm0 GTfnihated))JTJTf1 0 0 1 7



- 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 44 184.80 0 1 118.7 157.28 Tm0 G[service

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](mailto: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.



- 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 31<sup>st</sup> 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](mailto: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](mailto: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-



## Appendix B

This may be updated periodically, for the latest version please contact: [FullCBSMailbox@birmingham.gov.uk](mailto: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 31<sup>st</sup> March and return it within a week after 31<sup>st</sup> 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 31<sup>st</sup> 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 31<sup>st</sup> 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 31<sup>st</sup> 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 31<sup>st</sup> March.
  - c) You must arrange to pay any petty cash float back into your Petty Cash Bank Account by 31<sup>st</sup> March.
  - d) You **must submit final** reimbursement claims in the normal way within a week after 31<sup>st</sup> March.
  - e) You must **not**, under any circumstances, use your Petty Cash Bank Imprest Account after 31<sup>st</sup> March. You need to make arrangements under your Local Banking System if you require a petty cash imprest after 31<sup>st</sup> March.
- 5 Arrangements will be made centrally to affect the closure of all Petty a smooth close

## Appendix B continued

### Template example: Closure of Petty Cash Account Form

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

<b>REQUEST TO CLOSE A BARCLAYS IMPREST (PETTY CASH) ACCOUNT</b>	
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"/>
<b>Disposal instructions for balances remaining on the account:</b>	
<b>Note:</b> 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:	
<p><b>Please complete Reconciliation Form attached</b></p> <p>1. Petty cash journal reconciles, all</p> <p>2. at there are no yellow triangles (items</p> <p>3. in my imprest will be recouped from the</p> <p>4. es that remain unrepresented at closure will</p> <p>5. bring closure of all accounts on that date.</p>	
<p>4. The petty cash account reconciles.</p> <p>5. For Non schools that the voyager pe</p> <p>recoupments have been made and th</p> <p>6. Schools only- that any discrepancy</p> <p>schools budget share, and any chequ</p> <p>be transferred back to the school follor</p>	
<input type="text"/>	Authorized Signatory of Petty Cash Account
<input type="text"/>	Print name and designation
<input type="text"/>	Date









### **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

**Template Example: Bank Account Reconciliation**

**Annex A**

**BANK ACCOUNT RECONCILIATION**

School: **XYZ**  Month:

Cost centre: **REAXX**

Bank Account Name:

Appendix F

Template Example:

Termly Returns Workbook Annex B: Income and Expenditure Statement

Annex B

complete School:  Fund Centre:

Capital Expenditure 31 Jan 2015 - 31 Mar 2015

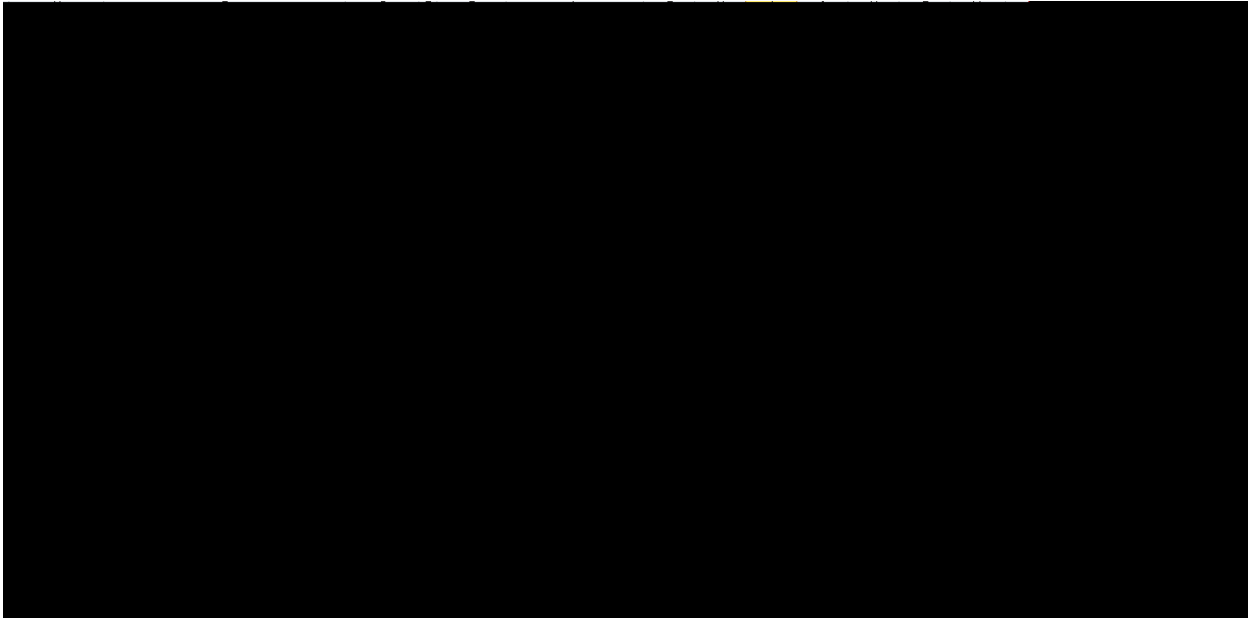
Commitment Item	Revenue	Devolved Capital	funded by Revenue	expenditure 31.12.2015
<b>EXPENDITURE</b>				
E01 A040 Teachers - Pay				0.00
E01 A040 Teachers - Superannuation				0.00
E02 A040 Teachers - Music - Pay				0.00
E02 E040 Teachers - Music - National Insurance				0.00
E02 F040 Teachers - Music - Superannuation				0.00
E02 A050 Teachers - Relief - Pay				0.00
E02 E050 Teachers - Relief - National Insurance				0.00
F050 Teachers - Relief - Superannuation				0.00
A020 Teachers - Relief (Vacancy) - Pay				0.00
F020 Teachers - Relief (Vacancy) - Superannuation				0.00
S040 Teachers - Relief - Supplied by Outside Agencies				0.00
<b>Total Teaching Staff</b>				0.00
E03 A100 Integration Assistants - Pay				0.00
E03 E100 Integration Assistants - National Insurance				0.00
F100 Integration Assistants - Superannuation				0.00
A110 Integration Assistants - Room Support - Pay				0.00
E5P0 Other School Expenditure - National Insurance				0.00

Appendix G



**Template Example:**

**Year End Workbook Checklist**





**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 -3(cTia2de B)r. TJETQq0.000008873 0 595.44 841.68 reW\*nBT/F1 13 Tf1

**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.A