



Kislingbury CEVC Primary School Income Policy

Policy review committee	Finance and Environment Committee
Policy Last reviewed	October 2016
Policy review Schedule	Annual
Policy new review due	October 2017



Introduction

These procedures relate to the banking of and accounting for income received. The school is responsible for the collection of income relating to the budget and there are specific Financial Regulations relating to the procedures to be followed. These are contained in Appendix 1.

All Schools must ensure that they comply with current VAT regulations relating to income received and invoices raised. Guidance on this is provided in the VAT section of the Local Authority Finance Standards Handbook.

Types of income

Income will fall into several categories:

Debtors income	For which an invoice is raised on the school's computerised local accounting system e.g. the SIMS Finance Module or an invoice is raised manually.
Periodic income	Where the administration is performed by the LEA/payroll and the school receives the income automatically e.g. income, rent
Non-invoice income	Where an invoice is not raised e.g. telephone income, contributions or donations, photocopying income, school trip income etc.

Receipts of monies

Recording and Banking

Income must be recorded in some form at the point of receipt i.e. official receipt, daybook or directly onto the school's local accounting system e.g. the SIMS Finance Module. All income must be recorded in the school's local accounting system if not done so at the point of receipt.

The school's official income **must** be banked in full without undue delay into the school's official Local Bank Account. It should not be paid into a private fund maintained at the school.

(There are exceptional circumstances where this is permitted e.g. if a school banks with Barclays but there is no Barclays bank in the vicinity, a school may bank cash into its school fund account which is held locally and then at the same time write a cheque from the school fund account and pay this into the Barclays Account.)

Collections in Class

Where money is collected in the school office from pupils this should be marked on a class list i.e. how much against each pupils name. A receipt is issued to parents. Cheques and cash payments are be clearly identified.



Bad debts

The school will be responsible for the recovery of all bad debts. Legal advice can be sought through the NCC Legal Services.

If a debt cannot be recovered either by the school or by its legal representatives it will have to be written off to the school's budget. All debts to be written off must be approved by the Governing Body and minuted accordingly.

Where debts that are written off include an element of output tax, schools should contact the County Council's VAT Officer over the implications of this.

Guidance on the appropriate masterpiece detail codes to be used for income transactions

Income Codes for Income Paid into the Local Bank Account

All income paid into the local bank account must be recorded against an income code on the school's local accounting system e.g. the SIMS Finance Module.

For guidance on the appropriate income code to use please refer to the Consistent Financial Reporting section of the L.A. handbook.

Contributions from external sources

There are many instances in which the school receive money from external sources. This may be in the form of contributions for a specific purchase, in relation to particular expenditure, contributions, donations, or sponsorship.

Please note that specific rules apply to VAT in relation to donations and sponsorship etc. Please refer to the VAT section of the handbook.

Contributions for a Specific Purchase

Occasionally the school receive contributions e.g. from the Friends Group to assist in purchasing equipment for the school. There is an agreed scheme for the avoidance of VAT for such instances and you should refer to the VAT section of the Financial Management Handbook and/or contact the VAT helpdesk for advice. The income must be banked into the Authority's accounts i.e. the school's local bank account and this must be done at the same time as the invoice is authorised and paid.

Donations and Sponsorship

Advice must be sought from the County Council's VAT Officer when donations or sponsorship money is received. Depending on the circumstances of the donation or sponsorship, VAT output tax may have to be paid on the amount received.



Accounting for vat on income

Some types of income received are subject to VAT Output tax that must be declared and paid to Her Majesty's Customs and Excise - see VAT section of the handbook.

When recording the income on the school's local accounting system the amount of VAT must be recorded. This should then appear on the VAT reports submitted to NCC Finance. The School will be reimbursed the amount of VAT equal to the Input tax (paid on expenditure) less the Output tax (due to be paid on income).

Invoices for goods/services must be raised on a timely basis i.e. in the month in which the goods/services are provided.

Quarterly the school is required to return an LB4 form VAT Return, together with reports from the school's local accounting system to NCC Finance. This information is required in order to complete the central output tax return to Customs and Excise.

It is essential that the school closes its accounting periods on the SIMS Finance Module each month so that VAT output tax is always recorded in the correct accounting period and is not backdated.

Paying money into the bank account

All income should be banked promptly and recorded in the school's accounts at the same time. Cash must also be banked "intact" i.e. schools should not utilise cash balances to cash personal cheques for members of staff/the public or to make purchases.

When paying in income the school should complete the paying in slips issued by their bank. Any cheques paid in must be clearly identified on the paying in slip or a separate log maintained.



Appendix 1

FINANCIAL REGULATIONS FOR ACCOUNTS RECEIVABLE

Income policy

The Governing Body should formally approve an income policy which will include setting charges, defining payment terms, establishing credit control procedures and debt cancellation and write off procedures.

This policy should be reviewed regularly and at least on an annual basis.

NCC issues guidance on the rates to be charged for the letting of premises, however schools may opt to charge their own rates.

Invoice preparation

Invoices should be sequentially numbered. (This is achieved automatically when invoices are recorded on the SIMS Finance Module)

Invoices must include the following details:-

- a) Name and address of school.
- b) The payment details must be in the title of NCC and the name of the school.
- c) The date of supply of the goods/services.
- d) A clear description of the goods/services provided.
- e) The VAT rate applicable to the goods/services provided.
- f) The NCC VAT registration no - 121 4804 09
- g) Terms of payment (it is suggested this should be immediate).
- h) Instructions on how to pay

Only income ledger codes should be used for invoices raised i.e. any income received must be a credit to an income code, and not to an expenditure code.



Timeliness of invoices

There should be a management check of invoices generated to ensure they are being raised for all credit income due to the school, are accurate, and promptly raised.

To comply with Customs and Excise requirements invoices must be raised on a prompt basis, this should be in the month the goods or services are provided.

Payments in advance

If payment or deposit is taken prior to the delivery of the goods/services, it should be recorded against the debtor on the school's local accounting system e.g. the SIMS Finance Module.

(When an invoice is raised on SIMS, in respect of the service to which the payment in advance relates to, the full cost should be shown. This will, owing to the limitations of SIMS, need to be manually adjusted to reflect the payment in advance.)

Records

Hard copies (including spoilt and cancelled copies) of all invoices and credit notes must be retained for 6 years.

Credit control

The following control procedures are in place:

- a) A reminder letter is to be issued to the debtor no later than 30 days from the date of the invoice (a suggested format is presented as example A).
- b) If the debt remains unpaid after a further 14 days a second reminder letter should be issued (a suggested format is presented as example B). Additionally, if possible, personal contact should be established with the debtor.
- c) For regular hirers the Governing Body should decide whether to allow continued use of school facilities whilst a debt is outstanding.
- d) If the debt still remains unpaid after a further 14 days, the debt should be referred to Legal Services or the schools legal representatives.

Another key element of credit control is a management check of outstanding debt. The School Bursar monitors this weekly. The school management and Governor Finance Committee are then provided, with details of outstanding debts at each Finance termly meeting. Schools should provide Aged Debtor reports for this purpose. These can be printed automatically from most computerised accounting systems e.g. the SIMS Finance Module.



Debt cancellation and write off

Cancellations

Dept cancellation will be authorized by the Finance and Environment Committee.

Debt Write Off

Where debt is to be written off, the Governing Body has determined a set guideline of over £100.00 to ensure consistency. The School Management will submit any debts requiring write off to the Governing Body for approval.

Vat output tax return

The County Council is required to notify HM Customs and Excise of all output tax (VAT on income) generated. Schools collecting income locally will therefore be required to periodically submit a return detailing the amount of output tax for the period to NCC Finance.

Internal control

There are 3 key stages to the debt collection process:-

- a) Invoice preparation
- b) Receipt of income
- c) Credit control i.e. chasing outstanding debt.

In order to achieve an adequate level of internal control it is important that step (2) is separated from steps (1) and (3). In an ideal situation all 3 steps would be separated.

However it is recognized that staffing resources in some schools may not allow this.

It is also important that invoice cancellation/write off is separated from steps (2) and (3).



Example A

Suggested format for first debt reminder letter

Dear

OUTSTANDING INVOICE

School records show that the invoice as detailed below has not been paid:-

Invoice number

Date

Amount

Immediate payment is now requested. Please make crossed cheques payable to:-

NCC..... School.

If you have any queries relating to the invoice please contact at the School immediately.

If payment has been made in the last seven days please ignore this reminder.

Yours Faithfully/Sincerely

(It is envisaged that this letter will be printed on school stationery)



Example B

Suggested format for second debt reminder letter

Dear

OUTSTANDING INVOICE

School records show that the invoice as detailed below has not been paid despite a reminder having been issued.

Invoice number

Date

Amount

Immediate payment is requested. If this is not forthcoming the debt will be referred to the County Council's Legal Services for legal action to be taken. (Where the school does not purchase legal services from the County Council you may wish to insert the name of your solicitor.)

If you have any queries relating to the invoice please contact at the School immediately.

Please make crossed cheques payable to NCC School.

If payment has been made in the last seven days please ignore this reminder.

Yours Faithfully/Sincerely

(It is envisaged that this letter will be printed on school stationery)



Annual review of charges

All charges levied, in accordance with the charging policy, including deposits, will be subject to annual review by the Governing Body towards the end of the 1st term or beginning of the 2nd term of each academic year, whichever is appropriate.

Administration of income

Invoicing Procedures

Invoices will be administered in accordance with the Financial Regulations relating to Accounts Receivable.

Invoices will be prepared by: The Bursar.

Invoices will be raised on an as required basis. I.e. Music Fees to fall in line with NMPAS 11 week chargeable periods (currently 3 x 11 week periods per academic year).

Block Bookings

Invoices will be raised in full for a minimum of 10 sessions.

Payment will be required in full at the commencement of the block booking.

Payments in Advance

The policy is: n/a

Income processing procedures

All income received will be passed to the School Bursar who will keep a record of income received.

A receipt will be raised for all income received.

The receipt of income in respect of debtors invoices and non–invoice income, will be recorded promptly on the school's local accounting system.

VAT will be accounted for in accordance with the guidance given in the VAT section of the LMS Financial Management Handbook.

Income will be held in a locked safe/cabinet pending banking. Keys to the safe/cabinet will be held by: The Bursar and the Headteacher (one set each).

Income will be banked promptly and intact.

A monthly reconciliation of the school bank accounts will be performed by The Bursar to ensure that all income banked appears on the bank statement.



Credit control

The credit terms for debtors invoices are payment within 30 days.

A reminder letter will be sent to debtors who have not paid their invoices on the due date by The Bursar.

If the debt remains unpaid a further reminder letter will be sent fourteen days from the date of the first reminder letter by The Bursar. In addition where possible, the debtor will be contacted by telephone.

At this stage The Headteacher will refuse the debtor any further access to the school facilities until the debt is paid. At the point at which a long standing debt is paid The Headteacher will decide if the debtor is to be permitted to make further use of the school facilities.

If the debt remains unpaid for a further 10 days a third letter will be sent informing the debtor that the debt will be referred to the school's legal representative.

If the debt remains unpaid and is for an amount greater than £100 it will be referred to the school's legal representatives. In the case of schools using NCC Legal Services, debts in excess of £100 may be referred.

If the debt remains unpaid and is for less than above, it will be referred to The Governing Body by The Headteacher.

On a monthly basis a report will be presented to the Headteacher detailing outstanding debts by age and value.

Write off of debt

Write off of debt will only be considered when the credit control procedures have been exhausted.

Before closure of the financial year a list of debts proposed for write off will be prepared by The Bursar and will be submitted to the Finance Committee for consideration. The submitted list will be supported by details of the debt.

The decision of the Governing Body will be clearly documented in the minutes of the relevant meeting.

After the Governing Body has approved a debt write off, this will be recorded on the school's accounting system by The Bursar. Such write-offs will be cross referenced to the relevant Governing Body minutes.



Cancellation of debt

In instances where invoices have been incorrectly raised, the invoices will be presented to The Headteacher with an explanation of why the invoice is required to be cancelled. The responsible member of staff will mark “cancelled” across the invoice, and sign the invoice and all supporting documents which will be retained for audit purposes.

Policy review

This policy will be reviewed each year in the Autumn Term by the Finance and Environment Committee.