

## **7 Income – Collection and Administration**

### **7.1 Introduction**

Schools often keep excellent records and accounts for expenditure but fail to appreciate the risks involved in the collection of income, where sound systems and procedures are equally required. This is true for both official and unofficial funds.

With the advent of a range of extended services schools have a greater range of income sources and appropriate procedures for the collection and administration of income are essential. School audit reports show income control as an area of significant weakness.

### **7.2 Scheme Requirement**

The Scheme for Financing Schools sets out the requirements and permissions on various sources of income and contains the following details on administrative arrangements.

“The Governing Body must approve and implement written procedures for the collection of income that take into account the following matters:

1. Separation of, as far as practicable, the responsibility for identifying sums due to the school from the responsibility for collecting and banking such sums;
2. Where invoices are required they must be issued promptly;
3. The issuing of official, pre-numbered, receipts or the maintenance of other formal documentation for all income collected;
4. Transfers of money between staff must be signed for;
5. Receipts, tickets and other records of income must be securely retained;
6. Cash and cheques must be locked away to safeguard against loss or theft;
7. All income collections (including donations), in their entirety must be paid promptly into the School Budget Share Account;
8. Income collections must not be used for the encashment of personal cheques or for other payments;
9. Reconciliation of the sums collected to the sums deposited at the bank.
10. Customs and Excise regulations on VAT must be applied where relevant.
11. An effective debt recovery procedure for any arrears.”

### **7.3 Receipts from the LA and Other Organisations - Receipts via BACS**

When schools receive a payment from the LA or other large organisation these are often via a BACS transfer which will be credited directly into the schools budget share account. The originating organisation will issue a remittance advice and either post or email the advice prior to the payment being made. This document should be retained in an income file and should be annotated with the relevant CFR code. This would serve as evidence of the payment being due and give detail of the receipt's purpose.

#### **7.4 Receipts from Parents Pupils and Staff - Receipts via Cheque or in Cash**

Schools' receipts from parents for trips, meals, uniforms etc are often made by cheque or cash. All cash received must be receipted. This provides evidence of receipt should there be any dispute. An income sheet should be completed each time banking takes place; this sheet should be retained in an income file. The sheet should itemise the amounts, who they are from, what they are for, the CFR code and should include the paying-in slip reference number as a cross reference. Banking should take place at least weekly depending on the volume and value. All cheques and cash should be kept in a fireproof safe prior to banking. Schools should not hold in excess of £1,000 in cash on the premises as this is the limit for insurance purposes.

For sale of items e.g. school uniforms, stock records should be updated, with income receipts.

Due care should be exercised and VAT rules applied on income where applicable. See section 8 of The Financial Guide for Schools – VAT Guidance.

There are internet based companies who offer schools cashless income collection systems. Parents are able to pay by credit or debit card via the internet or at a paypoint. This system reduces the risk of cash on site but does carry additional costs. Examples of such companies are:

[Parent Pay](#)

[School Money](#)

This is not an endorsement.

#### **7.5 Receipts for School Journeys/Trips**

When school trips/journeys are arranged schools should complete a 'Trips and Journeys Income Record'. This will list the pupils whose parents have agreed to send the pupil on the journey or trip, the cost of the trip and how much has been paid to date by each parent. A copy of this record should be taken and kept in the income file each time the income instalments are paid into the bank, as a complete record of payments to date and outstanding debts. A second copy should be kept by the responsible officer organising administration in connection with the individual trip/journey.

#### **Appendix 1 - Example Trips & Journeys Income Record**

#### **7.6 Income for Extended School Activities**

Schools are responsible for the collection of all fees and charges relating to childcare and other services/facilities.

For services such as day care, schools must have clear policies relating to income that, where appropriate, provide timely and self explanatory billing and accurate monitoring of payments to assist customers and avoid accumulation of debt. The school will need to consider the timing of bills, whether a deposit is

required and the level of outstanding bills which would result in termination of service and who will make this decision.

For clubs and activities with minor income, income should be dealt with as above. Methods of payment will include cash and cheques from pupils and parents.

### **Childcare Vouchers**

Childcare vouchers are a means of paying for childcare and are part of a government scheme whereby employers can assist employees with Childcare costs. The first £50 a week employees receive in vouchers is tax and NICs exempt if it is used for registered or approved childcare. It is likely therefore that a number of parents will want to take advantage of this scheme.

As a childcare provider the school will accept the voucher as part payment and reduce the value of the invoice by the relevant sum. It will then redeem the value of the voucher from the childcare voucher company usually by direct payment into the school's bank account.

There are a number of childcare voucher companies and in order to receive reimbursements the Centre will need to register their details with each of the childcare voucher companies for which customers present vouchers. This is usually a record of contact details, registration number and bank account details. There is no cost to the school in receiving payment through childcare vouchers. Information packs explaining childcare vouchers and the company's arrangements for payment are available from the voucher companies.

### **7.7 Income from Lettings**

Charging for lettings must be in accordance with the school's policy approved by governors and reviewed annually.

Wherever possible, invoices for lettings should be paid prior to the letting taking place.

See also section 7.9 of The Financial Guide for schools - LBB Lettings Policy & Administration.

### **7.8 Debt Management - key points for successful management**

Any queries on charges/invoices should be resolved in person at the school and this should be made known to customers when they start using the service.

In order to manage debts schools must have a clear policy with allocated responsibilities about termination of service and collection of bad debt, which should be made known to customers.

The school must have clear detailed procedures for administration of income including who is deputised to carry out roles of any staff absent.

Information on debts is only useful if someone takes action in response to that information.

All computer records and invoicing systems are only as good as the data input.

If you have any queries please contact Schools Accountancy Section.

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