

Section 6: Income

6. Why is this area important?

Cash is a valuable asset and is therefore vulnerable to fraud. It is vital that appropriate controls are in place to ensure its security. It is also important that the school keeps within the insurance and LA limits on holding cash on school premises.

Income can come from various sources, including grant funding, parental contributions and lettings and via online payment systems such as "Parentpay/Tucasi". The governing body should establish a charging policy and review it every year. The head teacher is responsible to the governing body for accounting for all income due and cash collected, and maintaining accurate records for this.

This section covers general income controls. These include establishing procedures that ensure that income is banked regularly and that the amount banked is reconciled with the amount recorded in the accounting records. Frequent and regular checking against bank records is important to ensure that all income is secure.

For a list of income sources that are paid to schools through LBE (Early years funding, PPG, Sixth Form Grant etc.) along with models for forecasting these sources of income please refer to the [estimate guidance notes](#).

General contacts

Schools Accountancy Services:
schoolsaccountancyservices@ealing.gov.uk

Steven Tinkler: Head of Audit & Investigation
tinklers@ealing.gov.uk

6.1. Charging & collection policies

Charging policy

The governing body should establish a charging policy for the supply of goods or services. This policy should be reviewed annually by the full governing body.

- The level of charges to be levied for each activity where the school generates income should be reviewed and approved annually by the governing body. The LA does not operate mandatory charging policies for these as it has delegated this responsibility to schools. (See Appendix 8)
- If as a result of a letting, costs are incurred by the LBE on repairs, or the replacement of buildings, grounds or equipment, the LA reserves the right to charge the cost to the school's delegated budget.
- For VAT implication of income generation please see [section 10](#).
- Records should be kept showing how much is owed and who it is owed from.

Collection and banking duties

The responsibility for identifying sums due to the school should be separate from the responsibility for collecting and banking such sums.

Prompt issuing of invoices

Where invoices are required, they should be issued within 30 days.

- Wherever possible payment should be obtained in advance and especially for lettings.
- All cheques which represent official income must be payable to the name of the school.
- Schools may wish to develop their own local invoicing system including systems such as "Parentpay/Tucasi". If they adopt this method:
 - i. They should design pro-forma invoices, which should contain at least the school's name and address. SIMS FMS has an Accounts Receivable section, which includes the generation and processing of invoices, including VAT details.
 - ii. The school will need to establish a system of debt collection itself. This should include raising reminder invoices and letters

- requesting payment from any bad debtors. A procedure for writing off debts should be agreed by the governing body.
- iii. SIMS FMS has a debtors system, which will automatically raise invoices and maintain a debtor's ledger. Schools with this system may wish to make use of it.
- The correct accounting analysis, including the separate analysis of VAT, should be made on the appropriate part of the income account form. Income should not be coded to expenditure codes but to an income code.

6.2. Receiving income

Use of receipts

The school should issue official, pre-numbered, receipts or maintain other formal documentation for all income collected.

- The collection of all income must be immediately acknowledged by the issue of an official pre-numbered receipt or by entry in a register or other record. The correct accounting analysis should be made.
- Wherever possible, pre-numbered receipts must be given to any person paying or donating money to the school.
- The SIMS FMS system produces receipts, which are pre-numbered. It is therefore acceptable for schools to use the automatically produced receipts from SIMS FMS.

Security of cash and cheques

Cash and cheques should be locked away to safeguard against loss or theft.

- Access to the safe and locked drawers is strictly controlled. Consideration must be given to ensuring that insurance cover is sufficient in respect of the amount of cash and cheques held in the school. The police should be notified of any theft along with the Insurance Section and Audit.

Prompt payment into banks

Collections should be paid into the appropriate bank account promptly and in full. Bank paying-in slips must show clearly the split between cash and cheques and list each cheque individually.

- All income received by the school must be paid into the school bank account without delay and at least weekly. No deduction may be made from the sum received. Officers paying money into the bank account must record the full particulars of each receipt, including the amount, a full description of the income, and the reference on the paying-in slip or counterfoil.
- Goods or materials sold for cash, or paid for by cheque, cannot be released until the school has received the cash or the cheque cleared in the school bank. Cheques offered with a valid guarantee card may be treated as cash, subject to the condition under which the card has been issued.
- Staff carrying cash on their own should restrict the amount to £200. When carrying cash in excess of £200 the member of staff should be accompanied, and the maximum amount to be carried for 2 people is £2,000. If this is not practical, the member of staff should carry a mobile phone and the amount carried should not exceed £1,000.

6.3. Reconciliations and writing off debt

Reconciliation of banking

The head teacher should reconcile monthly the sums collected with the sums deposited at the bank.

- As a minimum a monthly reconciliation must be performed of the amounts of income recorded as banked in the school's local records. Please refer to [banking](#) for more information.

Debts write-off

The school should have procedures for chasing any invoices, which have not been paid within 30 days. Debts should be written off only in accordance with LA regulations and schools should keep a record of all sums written off.

- The governing body must establish which named members of the school staff are authorised to cancel, replace and write-off a debtor's account.
- The governing body may write off debts up to the value of say £6,000. It can delegate the writing off of smaller debts e.g. under £500 to the head teacher. Any debts above £500 have to be approved by the governing body.

- Debts should only be written off if there is little or no prospect of recovering the money or if the cost of recovery is likely to be greater than the amount recovered. Full details of written off amounts should be kept and the records reviewed regularly to identify whether any have now become recoverable.