

APPENDIX 1 –SCRAPS GUIDE

INTRODUCTION

SCRAPS is a service to pay school bills via the computer at County Hall. It enables timely payments to suppliers, reduces errors, improves the accuracy of coding and reduces the work involved in SIMS reconciliation.

SCRAPS stands for

S System for
C Certification &
R Remote
A Authorisation of
P Payments from
S SIMS

What does SCRAPS include ?

All routine payments to a School's Creditors can be processed through SCRAPS.

The following will continue to be processed separately

Salaries ,Wages and other emoluments and allowances.

Travel Claims and Interview Expenses

Special Payments Foreign Currency

Temporary advances

What does SCRAPS do ?

SCRAPS takes the invoice data input to SIMS and transmits it electronically directly to the computer at County Hall, where it is used to produce payments to creditors and to recover VAT.

What are the advantages of SCRAPS ?

Information is transmitted electronically so

- there is no need to send bulky batches of invoices to County Hall.
- there is no "black hole" between school and the cheque appearing.
- Source documents remain in school available for reference

There is no need to repunch information so

- more payments to creditors will be made in accordance with their terms.
- coding will be more accurate and information more reliable and up to date.
- reconciliation will be easier and more upto date
- year end procedures are streamlined.

Are there any limitations ?

SCRAPS can be used to process payments on any valid code set up in SIMS therefore it can be used for Standards Fund, and Community Education as well as the normal school budget share.

SCRAPS **cannot** be used to process payments for other budget holders e.g. centrally funded capital projects.

Are there any drawbacks ?

Head teachers already have the responsibility for ensuring that there are proper controls over financial processes in schools and that the Director of Resources recommendations on procedures are followed. Continued adherence to the rules (and the spirit of the rules) will be vital to ensure the protection of assets from loss due to error, omission or commission. Effective separation of duties plays an important part in this.

The Payments Team does not routinely examine all invoices before making payment. The safety net that this once provided is no longer be in place. Schools must make sure that all payments are properly authorised and supported by proper documentation. School budgets will ultimately meet the costs if this is not done conscientiously. Since schools should already be ensuring that these things are done this should not be a problem

Documentation

Schools will also need to make arrangements for the secure storage of paid vouchers and supporting documents etc. Any costs involved will be a charge on the school budget. Guidance will be found in Section 5 of the Finance Manual.

Production of documentation

At the moment it is not possible schools to be individually registered for VAT. HM. Customs and Excise holds the Authority responsible for properly accounting for VAT. Access to school records and electronic data must be given to inspectors from the Inland Revenue, Department of Social Security, Customs and Excise and officers of the Authority. Where it is a requirement that records are inspected at County Hall, the Head Teacher will be responsible for producing the records in the time scales laid down. Any costs resulting from this will be a charge on the school budget share.

Separation of Duties

The following points on separation of duties should be observed:

Orders

Orders should only be input to SIMS on the basis of an authorised requisition form. In the absence of an authorised requisition form, all SIMS orders should be signed by an authorised signatory.

Payments

Persons with access to authorise orders in SIMS should ideally not have access rights in SIMS to authorise payments and hence generate cheques. However in the limited number of cases where circumstances dictate, providing that a requisition signed by a different person is attached to every order, then the person producing the order may also authorise the payments.

Where ever possible different people should undertake tasks such as input orders, authorise orders, input invoice details, authorise payments in SIMS and transmit the data. In schools where there are three or more members of staff involved in financial matters, the aim should be to achieve as much separation of duties as possible. It is recognised that in smaller schools the ideal will not always be achievable. Head teachers are responsible for ensuring that their financial systems provide adequate internal check. The Director of Resources will be pleased to assist with guidance on good practice. The Finance Services (Education) team will provide advice upon request.

Responsibility

It is recommended that all authorisations to undertake financial processes and related tasks are recorded. Forms CT 20 and CT 22 should be used. Any documentation should be up dated when ever things change. This will assist in ensuring that all staff clearly understand who is responsible for each process. This clear understanding will provide a greater degree of protection against mistakes and inadvertent omissions.

Certification

The checks set out in Section 7 of the Finance Manual must be applied.

Payment of Accounts

General rules

The points which follow set out the general principles which apply to ensuring payments are processed correctly.

Timing of payments

You should normally enter a payment date which is the Wednesday before the payment needed to reach your supplier. Payments are processed on Wednesday night and cheques posted second class on Thursday. You should enter a date which takes best advantage of the suppliers payment terms. Remember that the Director of Resources avoids borrowing and can earn interest to support school budgets on balances so it is sensible only to make payment when due. Unless otherwise shown payment is due 30 days after the invoice date. If payment is not in the suppliers hands by the due date you may be liable to pay statutory interest.

You can upload anytime between 08.00 and 1800 daily. The daily cutoff is at 17.00. At this time each evening the "sweep program" looks for new batches on the system and transfers them to the creditors system. Any payments which are "clean" will go on to the next weekly run. Payments that are missing LEA references must reach Payments before 17.00 on Friday to be sure of being paid on the next Wednesday. Batches that miss the daily cut off time are held until the next working day.

If you need an urgent payment enter todays date and transmit your payment details. The system will generate a payment on the next available run.

Correct Payee

Sending payment to the correct payee and address is important. Suppliers debt recovery processes will result in you being hassled for payment. This takes the form of statements letters and phone calls of various degrees of aggression ! These all waste your time. They can only be stopped by your payment being **received and recognised**.

Factored Invoices

In addition some suppliers sell their debts to companies who specialise in collecting accounts receivable. These firms are called "Factors". To legally discharge the debt the factor not the supplier must be paid. If payment is made to the supplier the factor is legally entitled to receive payment and may insist upon it. You then have the problem of recovery from the original supplier. SIMS provides a facility to set up an alternative payee and address. This must be used whenever the payee and ,or, the payment address are different. Some firms have central accounts offices and this may be different from the order address. If this is the case you should use this routine to ensure that the cheque goes to the correct address.

Carefully check the suppliers invoice to see where the payment should be sent.

If the payee address and/or the payee is different you will need to amend the supplier and LEA details in

SIMS. IN LRM 4 this is straight forward

From the SIMS Executive Menu Select

- G Executive Options
- B Order System Maintenance
- A Suppliers
- A Add/Edit Supplier

Then press the F5 (Edit Supplier) key, this will cause a "pop-up" box to appear. The payee details can then be entered or amended as required abbreviate as necessary and if known enter the creditor number (in the LEA reference box) of the correct payee **otherwise leave blank**. Clearly for many payments you will only need to do this once.

Creditor Numbers/LEA Reference Number

These are unique to each of the 107,000 creditors on our Payments System. They are used to link the information needed to pay suppliers. The information held includes the full name and address including postcode. The use of the correct creditor number in the SIMS LEA reference field will assist in getting payments made. From time to time schools will use creditors that have not been paid by them before. Where the supplier is already on the system the LEA reference will be added by the Payments team. The use of route BFC when reconciling the item will add the LEA reference to the supplier information automatically. It will be in place for all subsequent authorisations.

Invoices payable to The Director of Resources

Many goods and services are supplied by other parts of the County Council to schools and are **not** charged by way of internal bills. (Section 7 - Internal billing explains how to process internal bills in SIMS). Devon Purchasing is a major user of the ordinary billing system and for warehouse stock items will send you an invoice requesting payment to the **Director of Resources**. Schools and others will also use this system. The procedure is straight forward and little different from any external creditor. A separate supplier called Devon Purchasing (or similar) is created and used only for ordering warehouse stock items (i.e. those with a six character stock reference). The LEA reference is E0670NU. The payee information box (obtained by pressing the F5 Edit Supplier key) is completed with Devon County Council, Director of Resources, County Hall. It is important that the special post code **CH2** is used.

For all departments except Devon Purchasing the LEA reference is G5853YZ. The address is the same in both cases.

These creditor details are used for all payments to be made to the Director of Resources.

Other payments

Devon Purchasing often order goods for direct delivery to schools and making payment will require a little caution! The best way forward is to create a supplier called Devon Purchasing Non Stock (or similar). the ordering address is Trusham Road as normal but the invoice may be sent directly to you by the supplier. If this happens you should set the supplier up using route GBAA as normal. Process the invoice as a non-order invoice and clear the commitment by cancelling the order to Devon Purchasing

Devon School Library Service

Form (BS8B) is completed as normal for each non stock book/tape required and sent with a covering SIMS-LRM order form to the local area library. The Library Service will place all non stock orders with suppliers who may who will invoice schools direct. To best deal with this a supplier called Devon Schools Library Service created, use the address of the library with which you normally deal. If you are invoiced directly by the supplier you should set the supplier up using route GBAA as normal. Process the invoice as a non-order

invoice and clear the commitment by cancelling the order to Devon Schools Library Service.

Construction Industry Tax now Construction Industry Scheme

There are special tax rules relating to the Construction Industry.

We are required by law to operate this scheme, which applies to payments to contractors for work involving "construction". Full definitions given in Annex 1 to guide. The purpose of the scheme is to ensure that tax is paid by contractors undertaking construction work.

Where the Inland Revenue are satisfied that contractors will account correctly for tax they will issue a certificate which allows them to be paid with out tax being deducted. These are known as certificate holders. The law requires us to record and report payments to contractors where the taxable element exceeds Inland Revenue limits and to deduct tax from non certificate holders. As with any tax the Chancellor is concerned to collect as much as possible so to encourage accuracy there are **penalties** for getting it wrong. Schools must exercise great care to ensure that payments are made correctly and that all necessary checks are carried out.

Penalties resulting from non compliance will be charged to school budget shares.

Invoices liable to CIT/CIS are to be marked with /CIT after the invoice number.

If you are in doubt, enter /CIT against the invoice or seek advice from the Payments Section.

Payment Details

Switching off debt recovery action not only relies upon the creditor receiving money but also upon it being recognised as relating to a particular invoice and being "posted" to clear your outstanding account. For this reason it is **very important** that payment details are correct. Payments section will not have the invoices to hand so any queries from suppliers will be referred back to you.

There are 16 characters available in SIMS to identify the payment. **This is normally the invoice number** but there are a few exceptions.

British Gas, SWEB, District Council rates bills and South West Water all require the consumer reference to be entered . BT invoices also require the consumer reference to be quoted. This has more characters than the payments system allows. You should enter the first 16 characters.

For Construction Tax invoices enter /CIT in the four spaces after the invoice number field.

TV Licencing can be paid by putting the licence number in the invoice number field.

Internal billing

Other parts of Devon County Council can be set up as suppliers exactly as if they were any other firm with whom business is done. The difference is that internal bills have a 3 character code as the LEA reference. This must be present to stop the invoice being output to SCRAPS. This number is printed on the Internal Bill as the LEA reference. Apart from the different type of reference processing Internal Bills is the same as any other bill.

Any school other than those with LPS can receive charges through the Internal billing system. A hard copy of the bill is sent to the school. The bill shows the same information as any other bill but additionally includes the financial codes that will be debited and the date that the money will be deducted from the budget. The internal bill will if an original order was raised also quote that number. It is helpful to state on the order the code which you wish to have charged.

If the code quoted by the person raising the bill is wrong they should be contacted before the date when the charge is to be processed. Similarly if you wish to query the charge you should raise this with the originator. A phone number is shown for you to do this.

Cash with order

Where funds permit smaller amounts should be dealt with by cheque drawn from imprest. It is not normal for large sums to be paid with order. If you feel you need to do this please phone the payments section for advice.

Problems

Where you require a payment to a creditor who is not recognised by the Creditors System the Payments Section will contact you to request a copy of the invoice. Please send this by FAX or by FIRST CLASS POST.

With about 107,000 names on the creditors file if a name is new to your school there is still a good chance it is already set up. Payments Section will contact schools when there is a mismatch between the various parts of the creditor record sent by the school and the information in the Creditors system. Please be patient about this as these checks are there to make sure that payment is made to the right payee. Where it is necessary to refer back to a school the payment may be delayed. Payments Section will work to minimise any hold ups but please co-operate by sending any requested details promptly.

Any supplier who was last paid through the creditors system more than 18 months ago will have been deleted. Therefore if you are paying someone after a long break it is possible that the LEA reference may no longer be correct. You may check with the SCRAPS Helpline or simply use route GBAA in SIMS to delete the LEA reference. The correct reference will be downloaded when the payment has been processed.

Payments involving Construction Tax may involve the Payments Section having to request information clarification or copies of invoices. These requests are necessary to ensure correct application of the scheme and thereby safeguard schools interests.

Adequate documentation must be kept to support any payment. Normally this will be a valid tax invoice. Some small local businesses may have difficulty producing proper VAT paper work. Great care should be taken to ensure that the VAT rules are followed. Invoices must not be written out for suppliers. There will be cases when no invoice is available e.g. cash with order. It is strongly recommended that a form CT 42 or locally produced equivalent is completed. This will provide a clear record of the transaction. A CT 42 must not be used merely because the original invoice has been mislaid. A copy invoice must be obtained from the supplier. This is needed to support VAT recovery. The request for payment voucher must be retained with the schools paid vouchers. (It is not to be sent to the payments section.)

There are a few special cases where only one invoice is issued but more than one payment is due. This normally applies to the rates charges. The rates must not be certified until after 1st April in any year. They are then treated as two non order invoices one payable almost immediately and the other half about 1st October. Create and authorise 2 non order invoices with April and October payment dates. Some councils also bill for trade refuse on this basis and the same procedure can readily be followed.

Authorisation and Data Transfer Process

Before Transfer :Authorising payments in SIMS LRM 4

A special program has been written by Devon to extract authorised payments from SIMS in a form suitable for use by the **Director of Resources'** Payment of Accounts Section. It is thus not within the SIMS system itself but is run on request using an option on the same menu as SIMS-LRM. **THIS ROUTINE WILL ONLY WORK FROM THE PC CONNECTED TO THE MODEM.**

 The **FIRST** time you use this process check that SIMS is set up correctly. Use route GCC ensure the last line reads Electronic Transfer [Y].

Authorise any invoices waiting for payment in SIMS-LRM 4 using option DB or DC and then choose route DE to "Print Authorisation Slips". This will produce a printout and write a file to disk. The printout should be checked against the invoices and signed by the person authorising them. This person may be different from the person processing invoices. The listing should be kept with the invoices.

Warning

Your Printer must be on-line (or attached to a network printer)

Do not attempt to leave the routine at any point until an EXIT prompt appears.

You do not have to exit from SIMS immediately to use the DCC extract program. In fact you may use the authorisation process in SIMS more than once, if you wish, before choosing to list the batch. The DCC data transfer option may then be chosen from the DCC Application at a convenient time, perhaps later in the week. In general Creditors payments must be sent at least weekly. The extract program will find all disk files created by the above method which have been produced since it was last run. It is strongly recommended that you do not hoard batches. **Please** transfer your data whenever you have a reasonable number of invoices to pay. Twenty to thirty invoices makes a convenient batch but smaller batches are acceptable; **please do not** hold payments back to make up batches. **PLEASE DO NOT HOLD PAYMENTS BACK UNTIL THE DEADLINE TIMES.**

Authorising Payments for Transfer

When you wish to transfer your data you will need to exit from LRM 4.

Upload and Download for Finance Files using File Transfer Software

The File Transfer Software uses the existing DCC Application icons, to authorise Petty Cash and Supply Claims. It also uses the existing icon – Prepare Authorised Payments for Transfer – to send Invoices for payment.

The FTP software uses two additional icons -

- Download and Reformat - to pull down reconciliation files from the Mainframe to your LRM4 module
- .Re-try Upload – Used only when an upload has failed and needs to be resent.

Passwords

The process is password protected. The initial password for uploading or downloading is blank on installation. You will be given the opportunity to change it when the first upload or download takes place. This password needs to be changed every thirty days for security purposes. You should use a completely new password each month.

Password must be between 5 characters and 8 characters – the system will display an invalid password message if there is a problem with the length.

These passwords are case sensitive – so be careful to note the case you are typing in.

If you have forgotten your password or need it reset – please contact ScoMIS on the normal Helpline Number – 01392 385300.

Uploading Invoices, Petty Cash and Supply Claims for Payment.

The batch files, which run when you click on the icons to Prepare Authorised Payments for Transfer and Supply Claim Authorisation, have been altered to allow direct access to the mainframe. This allows the transactions to be placed directly onto the mainframe, without any time delay.

The screens and menus within each of the packages, (Prepare Authorised Payments for Transfer and Supply Claims Authorisation) are exactly the same. The only exception being the very last message as you come out of these packages.

The system will connect to the mainframe and pass your file for processing as you choose Y to continue.

*** If the second signatory is not available to sign the printout before sending the batch to the mainframe, you must follow the steps below. ***

- You must type Y to continue at the above prompt as you come out of the Prepare Authorised Payments for Transfer module.
- The system will start to connect to the mainframe.
- When you see the login prompt (see screen below) asking for your password – CLICK on CANCEL to stop the upload.
- To send the file once you have the printout signed by the second signatory, click on the RE-TRY UPLOAD icon in the DCC Applications group. This will start the upload process again and you will be prompted for your password.

You will then be prompted for your password as you login to the Mainframe:

The system will verify the password and continue on to the next screen. This screen will show message Transfer being actioned: Upload node E1Cost or E2Cost. Where cost is your school cost code. The window will show the different stages of uploading. The status bar will show varying messages as the upload proceeds. These messages are detailed in the File Transfer Software User Guide.

As the process continues, you have the ability to cancel the upload at any time. However if this is the case then the Retry Upload icon will have to be used at a later date. The system will check that the previous upload has been successful. If the upload had not been successful a report will be copied to your PC which will give you the reason for failure. This report can be viewed and printed.

Once the system has satisfactorily completed its check your data will be transferred to the mainframe. The file will then be processed.

A report will be produced and copied to your PC's DTCS directory. It can be viewed and printed if necessary (see error report section). The report will normally say that the upload has been successful. It will however contain error messages if the upload has failed for any reason. The system will then check the report and a screen will be displayed if the upload has been successful. Click on the OK button to complete the Upload process. At this point all transactions have been passed to the mainframe and the upload successful.

Dealing with an Unsuccessful Upload

An upload may fail due to modem problems or problems with the County Mainframe. If this does happen the following messages may appear. The file you are sending will not be deleted it will wait on your PC until you pass it to the mainframe.

To solve this problem, go to the DCC Applications folder or menu item (from Start/Programs).

Click on the Icon – Retry Upload.

This action will start the upload process again and pass all batches to the mainframe for processing.

Error Reports

The upload error report is called DTUPERR.TXT and can be found in the DTCS directory on the C: drive of your PC. To look at these reports – follow the instructions in the FTP User Guide.

If you need Help with any of the procedures detailed please call the ScoMIS Helpline on 01392 385300.

Processing at County Hall

When your payment details are received, they are processed to produce a "Payments Listing", split into 2 parts. The first part is for payments where the LEA reference you entered has matched the creditor number in the Payments system. These payments will now be paid according to the rules outlined in Section 3 without any other action taking place. The second part of the list is where your LEA Reference does not match a payments creditor number, or no LEA reference was entered in SIMS, or the payee's address details are different. Payments Section may contact you in some cases to check the information so that payments are not made incorrectly.

When this occurs, we will process the payment by adding a valid creditor number, and will send you as part of your next download the correct creditor number (LEA reference) so that you can update your records for next time.

Occasionally, the Creditor Name and Address that you show on your payment listing will be new to the Payments section. When that happens, you will be asked to provide a photocopy of the original invoice for checking purposes. The payment **cannot** be released until the copy has been received, and a new Name and Address record created in the Creditors Payments System.

For payments relating to the Construction Industry, it is quite possible that you will be asked to provide a copy of the original invoice. This is especially likely for less well known contractors. Please understand that the checks carried out on your behalf are designed to protect you from incurring penalties. (Please remember to mark all possible CIT/CIS invoices with /CIT after the invoice number in SIMS.)

If you want any help or advice, please phone

SCRAPS Control on Exeter (01392) - 382417

CIS Help on Exeter (01392) - 383312

Dealing with errors

Errors

Unfortunately errors do occur and they will need to be rectified. The basic principle is that all errors affecting the amount of money to be paid to a supplier (but not the coding) should be dealt with in SIMS. It will be important that the procedures are all completed if SIMS and the Director of Resources records are to remain in balance.

There are several possible scenarios. The recovery procedure will depend on the timing of the discovery of a mistake. Errors fall into several areas

- those affecting coding
- those affecting timing of a payment
- those affecting the payee
- those relating to the value or composition of a payment

Errors affecting coding

You should request Financial Services to make a journal transfer using either the CT67 query form (paper or by e-mail) or submit a journal transfer using the journal transfer routine on your "year-end routine". If you have dealt with VAT incorrectly (and the supplier has been paid the correct total) this is a coding error and you must send a copy of the invoice with a paper CT67 to Financial Services who will correct the mistake by journal entry.

Errors affecting timing

These will be most significant where a payment to a supplier will be delayed. All that is necessary is to contact the Payments Section (01392- 382417) and get the payment date amended.

Errors affecting the amount payable

Mistake found before SIMS authorisation of invoice. Cancel the item using route DD. Reprocess the item using the correct information.

If you find that an error has been made after SIMS authorisation but printing authorisation slips the same routine via DD should be followed.

Mistake found after SIMS authorisation of invoice and printing authorisation slips.

- Do not authorise more any invoices in SIMS until the error is rectified.
- Do not extract your data for transmission
- Use route DB to enter a credit note. Use the original invoice references to reverse out the error. Input all values as originally entered. It is advisable to check the position using route DHA which lists the details of the original invoice.
- Then start again using the correct amounts VAT classes etc. This will have the effect of processing a mirror image of the mistake and then showing the correct entries. It is then possible using route DG (review invoices) to see that the correcting (contra) entries have been correctly made. The correct payment should have the same payment date as the original attempt. It is not presently possible to attribute payment dates to credit notes so these may be processed in the creditors system before the payment. Authorise for payment in SIMS as usual and then authorise data transmission in the normal way.

Follow the steps in the section above and authorise in SIMS as usual then exit to the LRM menu and extract a batch for transfer this will contain all of the entries and can then be authorised for transfer as normal.

Mistake found after SIMS authorisation of invoice and after extraction of data.

At this stage a further data extract cannot be done until the one held for transmission has been sent.

Much will depend on the timing of the discovery of the error. **If you are in any doubt about what you should do then please ask the Scraps desk for help. The key to preventing costly errors is close co-operation with the Payments team.**

If the extract has not been sent it is suggested that a credit note is prepared through route DB and the replacement payment generated and authorised in SIMS. The original data extract should then be transmitted. A second data extract should then be run and authorised for onward transmission. It should be sent "hard on the heels" of the first extract. Care should be taken to ensure that the transmission of data does not straddle the Friday input deadline.

If an extract has already been sent then it will be necessary to check the position with Payments Section (01392 - 382417). As a general rule the credit note route described in preceding paragraphs will have to be followed. Payments Section will give detailed guidance to ensure that the payment to the creditor is made correctly.

The correction of any errors must be carefully controlled to ensure that records held in SIMS and those held in the statutory accounts remain in step.

Errors affecting the payee.

These should hopefully be rare for those errors detected after transmission contact the Payments Section (01392 - 382417) for guidance. Otherwise follow the procedures above. **If you are in any doubt about what you should do then please ask the Scraps desk for help.**

Construction Industry Tax Deduction Scheme

Construction Tax may at first appear daunting. We have, in the paragraphs which follow provided a full explanation of the scheme, but a complete understanding may not be required for all staff involved. The application of a few simple rules should enable schools to successfully operate the scheme. These key points are highlighted towards the end of this section.

Background to the Scheme

We are required by law to operate this scheme, which applies to payments to contractors for work involving

- construction
- installation
- repairs
- decoration
- demolition etc. etc.

The purpose of the scheme is to ensure that income tax is paid by contractors undertaking construction work. The tax is applied to three separate items on the invoice

- £ labour
- £ profit on materials
- £ travel and subsistence expenses.

All sub-contractors used for jobs of £1,000 or more must hold either an exemption certificate CIS5 or CIS6 to be paid gross or a registration card CIS4 to be paid with the deduction of tax.

Where the Inland Revenue are satisfied that contractors will account correctly for tax they will issue a certificate (CIS5 or CIS6) which allows them to be paid with out tax being deducted. These are known as certificate holders. The law requires us to record and report payments to all contractors where the taxable element exceeds £1,000. We must deduct tax from the holders of registration cards (CIS4). We are not allowed to make payment for work caught by the tax to anyone not holding one of the three Inland Revenue documents. As with any tax the Chancellor is concerned to collect as much as possible so to encourage accuracy there are penalties for getting it wrong. Schools must exercise great care to ensure that payments are made correctly and that all necessary checks are carried out.

Penalties resulting from non compliance will be charged to school budget shares.

What kind of work comes under the scheme?

The CIT quick reference guide at the end of this Appendix lists the types of work which are in (or out) of the scheme, for example under HEATING, you find that installation and extension of heating systems are covered by the scheme, whereas maintenance, repair and servicing are not.

The main points to remember are:-

If any part of an order, or job, falls within the scope of the scheme, then the WHOLE order must be regarded as being within the scope of the scheme. For example if an order was for servicing the heating and EXTENDING OF THE SYSTEM, then the whole order would come into the scheme, even although the maintenance on its own would be excluded.

Supply only of goods is outside the scope of the scheme, for example supply of building materials without any labour element.

Each time you arrange premises work which comes under the scheme, where the labour, profit on materials, travel and subsistence expenses for the **job** total £1,000 or more you must tell the Director of Resources. The contractor must not break a contract down into units of less than £ 1,000 to avoid tax.

If you need help on interpreting and applying the rules, speak to Ron Perham at County Hall 01392 382414.

How to decide

The key questions are :

- is the work covered by the scheme?
- is the invoice for the complete job as defined on the order ?
- does the invoice (or invoices) for the complete job come to more than £1000 (excl. VAT) ? Such invoices may require tax to be deducted .

If so, or if you are in doubt, enter /CIT in the invoice number field with the invoice number.

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If any part of an order / contract falls within the scope of the scheme then the whole order / contract must be regarded as within the scope of the scheme.

All manufacturing is outside the scope of the scheme as is supply of goods only.

IN = Means within the scope of the scheme therefore Sub-contractor needs an exemption certificate or tax must be deducted.

OUT = Means outside the scope of the scheme therefore Sub-contractor does not need an exemption certificate and can be paid in full.

	IN	OUT
BRIDGES	Construction, repair & maintenance, painting	Graffiti removal
CCTV	For traffic management	For security system
CANALS	Construction, building artificial banks	Dredging, weed cutting
CEILINGS	Painting, construction, repair, artex, tiling, plastering, coving and friezing	None
COMPUTER SYSTEMS	Installation of computer systems with ducting	Installation of computer wiring through pre-existing ducting
CRASH BARRIERS	Installation, repair & maintenance, painting	None
DEMOLITION	Demolition of all buildings and structures, site clearance	None
DOORS	Fixing and repairing doors, glazing, locks, closer units, hinges, painting and decorating	Security Systems
DRAINAGE	New installation and extension of existing system	Maintenance and repair
ELECTRIC	New installation and extension of existing system, conduit and trunking	Maintenance, repair and testing
FENCING	Erecting, repair and painting	None
FIRE ALARMS	Installation of sprinkler systems.	Installation, maintenance and repairs of alarm systems.
FLOORS	Installation, repair, maintenance, latex, parquet and linoleum	Carpets
FOOTPATHS	Construction, repair and erection of signs	Cutting overgrowth and spraying
FOUNDATIONS	Preparation and laying foundations	None
FURNITURE	Installation of fixed furniture i.e. sink units, fixed library shelving, fixed kitchen units etc.	Seating and portable furniture
GAS	Installation and extension	Maintenance, repair & servicing
HEATING	Installation and extension	Maintenance, repair & servicing
INSULATION	Installation	None
LANDSCAPING	Landscaping areas disturbed by construction works, hard paving	Tree planting and felling unless it is in the course of construction or

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		demolition works, grass cutting
LIFTS	Installation	Maintenance and repair
LIGHTS	Installation	Maintenance and repair
PATHS	Construction and repair	Weeding and spraying
PLANT HIRE	Any plant supplied with operator	Any plant supplied without operator
PLAYGROUND	Construction, resurfacing, line marking, installation of fixed playgroup equipment and installing new drainage	Repairs to drainage
PROFESSIONAL FEES	None	All professional fees outside the scope of the scheme
ROADS/DRIVES	Construction, tarmacing, kerbing, line marking, paving, installation of cats eyes and traffic calming works	haulage of materials to site
ROOFS	Construction, repair, guttering, painting and decorating	Cleaning out gutters
SCAFFOLD	Erecting and dismantling	Hire charges
SECURITY SYSTEMS	None	Burglar alarms, infra red and security lighting
SNOW CLEARING/GRITTING	None	All aspects of snow clearing and gritting
STREET FURNISHINGS	Installation, structural repair and painting	Cleaning, replacing bulbs and electrical repairs
SWIMMING POOLS	Installation and repairs to pool fabric, paving, fencing, paths and boxing in pumps	Repairs and maintenance to pumps and filters
TELEPHONE INSTALLATION	Installation of telecommunications and distribution systems	Replacing handsets
TELEVISION INSTALLATION	Installation of cable	Aerials
WALLS	Construction, repair, plastering, skimming, skirting, pointing, painting and decorating	Graffiti removal
WINDOWS	Installation, repair, double glazing, glazing, sills, lintels, painting and decorating	Blinds and curtain tracking

APPENDIX 2 - PAYROLL GUIDANCE

Introduction

The following information is intended to assist School administrators in undertaking the more common payroll related tasks. Further information on a variety of issues can be found on the Devon Finance Services Payroll web pages: <http://www.devon.gov.uk/private/resource/pages/fpu/edu/payroll/index.html>

Please visit the site – it is there to help you. If there are any payroll related topics which are not available but would be of general interest to schools please e-mail either Paul Witton (pwitton@devon.gov.uk) or Glenn Bearne (gbearne@devon.gov.uk).

All directly employed school based staff are dealt with by the Education Salaries pay team – full details are available at: <http://www.devon.gov.uk/private/resource/pages/fpu/whoswho/payroll/payeduc.html>

Telephone numbers are: (01392 38) 2386 to 2388, 2390, 2072, 2871.

Payroll Forms

Our aim is to pay the correct amount at the correct time. To assist in drawing together all of the information needed to give effect to your instructions there are a number of Payroll forms. Details of these are set out below. Forms should be sent directly to payroll services to arrive by the input date. Details of deadlines are on the payroll web page. Please ensure that the correct form is used and that all forms are fully completed and clearly printed.

Commonly Used Payroll Forms

If you have difficulty in completing any form, please contact Devon Payroll Services

Please send all forms to Devon Payroll Services by FIRST CLASS post.

Appointments and Terminations

Non Teaching Staff New Appointments	LGS1
Teaching Staff New Appointments – Please ensure a copy of the teachers application form is attached to form CTS26 for all teachers new to Devon Schools	CTS26
Non Teaching Staff Terminations	LGS8
Teaching Staff Terminations and Transfers – Retirements, resignations, transfers to another school, Termination of temporary contracts	CTS38

*Note : Where staff leave at short notice, please contact Devon Payroll Services **by telephone** – this will avoid potential overpayments of salary and costs associated with recovery, which may fall on the school budget.*

Contractual Changes

Non Teaching Staff - including notification of Additional Employment

(to be accompanied by CTP14 for pension purposes). Please ensure that form clearly states the working arrangement e.g term time only / hours per annum/full time all year. CTP13

Teachers under contract - Change in commitment or status
e.g Whole time to part time, Temporary to Permanent CTS26
Changes to Expenditure Analysis Codes CTS 26

Temporary and permanent adjustments to Teachers Salaries

– Pay Spine point / Allowances / Other	CTS25
<i>Note Where a temporary allowance is paid a CTS25 is needed to initiate payment and a further form to terminate the allowance.</i>	
ALL STAFF	
Staff Absence due to sickness or where pay is affected	CTP1
Staff Notification of change to Bank / Building Society Account	CTP2
TEACHING STAFF	
Part Time Teachers – Claim for Additional Teaching	
(only to be used in exceptional circumstances <i>except in manual and Special schools</i> otherwise the claim should be input via SIMS)	CTS13
SUPPLY TEACHERS	
Supply Teacher Starter Declaration Form	CTS29
Supply Teacher Salary Claim Form	
(only to be used in exceptional circumstances <i>except in manual and Special schools</i> otherwise the claim should be input via SIMS)	CTS12
NON TEACHING STAFF (Previously APT & C Staff)	
Overtime / Additional Hours	CTS35
NON TEACHING STAFF (Previously Manual Workers)	
Overtime / Additional Hours	CTW5
NON TEACHING STAFF (‘J’ PAYROLL)	
Caretakers and Cleaners employed directly by the School	
Additional Payments :	
Overtime / Additional Hours	CTW4C
Lettings	CTW6C
Swimming Pool Allowance	CTW7A
CASUAL STAFF	
Admin Staff paid monthly- claims for hours worked	CTS4
Staff paid by weekly claim	
Meal Time Assistants	CTW1
Caretakers and Cleaners	CTW1C
Lettings	CTW6C

Claim for work not covered by NJC Conditions – Paid Weekly

e.g Coffee Bar assistants

CTW32

Visiting Lecturers and other Fee based engagements payable via the payroll

CTS19

TEACHERS SALARY ASSESSMENTS

Payroll staff can be contacted on (01392 38) 2072.

ON-LINE SUPPLY TEACHERS CLAIMS VIA SIMS

For all schools (except Special) using SIMS LRM4 this is the normal method of paying supply claims. So that your member of staff is correctly paid please observe the following rules.

Please ensure that each starter completes form CTS29. This must be forwarded to Devon Payroll Services as quickly as possible.

Please ensure that mandatory personal data is entered accurately into SIMS:

- First Initial (correct legal name eg Betty is E)
- Surname
- Payroll Reference*
- National Insurance Number
- Date of Birth
- Home Address

* If a Supply Teacher cannot provide you with a current DCC payroll reference, please contact Devon Payroll Services. A payroll number will be allocated, this should be used to update your SIMS records. Supply Teachers pay references normally start with the prefix S9999. However, teachers with existing part time contracts will start Bnnnn/.

- Reports detailing incorrect / missing fields will be sent to schools on a monthly basis.
- Please ensure these are dealt with promptly and corrections / additions made in time for subsequent SIMS transmissions.
- Please ensure that dates worked by supply teachers are submitted accurately – this information is used in the calculation of increments.

The deadline for SIMS transmission is 1700 hours on the 5th of each month. Where the 5th falls on either a weekend or public holiday, the deadline will be 1700 hours on the next working day. Separate deadlines will be notified as appropriate to cover special arrangements e.g December. Please transmit before the deadline if possible.

If you are unable to meet the transmission deadline, please contact us. Telephone extensions for Education Salaries are : (01392 38) 2386 to 2388 and 2390.

VISITING LECTURERS AND OTHER EXTERNAL ENGAGEMENTS

The debate over ‘Employed’ or Self Employed’ for Pay As You Earn purposes is often a complex one and may cause local difficulties between the school and the individual if there is a disagreement over how any payment should be treated.

The problem stems from the fact that there is no legal definition of Employment – no hard and fast set of rules which would make the decision easier. As it is, employers must apply general principles laid down by

the Inland Revenue which have been formulated from case law.

Whilst the final decision on status rests with the Inland Revenue, employers have a responsibility to apply the tests (shown below) and come to a balanced view taking into account the level of direction and control exercised. In this respect, considering the potential for financial penalties in the event of unsound decisions, it is important for schools to act with caution and if there is any doubt to seek advice.

An area of specific interest to schools concerns the use of external music tutors. You are legally required, under the Categorisation of Earners Regulations to treat all such engagements as 'Employed Earner' where your school has any involvement in the collection of fees from parents or students in order to pay the tutor. The only circumstance in which self employment will apply is where tutors make their own arrangements to receive payment for work done.

Principles relating to employed status

These principles and considerations must be applied in all cases where the status of an individual's engagement is not readily apparent:

- **Can the individual sub-contract the work to someone else or send along a substitute?**

Employees cannot do this, whereas an engagement on a self-employed basis may permit this arrangement

- **How was the individual engaged?**

Employees generally apply for posts, attend interview etc. The self-employed may submit a tender or be approached directly to perform the work, which they can accept or decline

- **How much direction and control do you exercise over the individual?**

Employees have a contract of employment and work to stated terms and conditions which are not generally negotiable e.g. rate for the job, hours and place of work, holiday and sick pay, pension scheme etc. Self employed individuals can set a price or be open to negotiation, undertake tasks at a time of their choice.

- **Are they in business on their own account?**

Do they run a business with a number of customers or clients and take the financial risks associated with self employment (employees paid by the hour or annual salary cannot make a financial loss at work) Do they have to correct mistakes at their own expense? (Self-employed individuals do)

- **If they are in business on their own account, is the work they are doing for you an extension?**

The work must be integral to the self-employed person's business and recognised by the Inland Revenue as such. For example, a request of 'I'm self employed, please pay me gross as a creditor' is invalid if he is engaged as a handyman for a day but is a registered self employed window cleaner.

- **Who provides major items of equipment or materials to do the job?**

Employees are not generally required to use their own resources, whereas the self-employed will incur all expenditure and associated risk, which will be taken into account in any pricing.

- **Is the person part and parcel of your organisation?**

Do other individuals undertake similar work where 'employed' status is clear?

There are two other areas which need consideration:

- Dispensations issued by the Inland Revenue for individuals and work groups.

- Common decisions on types of work issued by the Contributions Agency / Inland Revenue, some of which will be backed by legislation.

A range of dispensations and local Revenue decisions are held by Devon Payroll Services. These documents support the actions taken by the Authority and will be scrutinised in any future combined Inland Revenue / Contributions Agency audits.

If, after applying the tests you still have difficulty reaching a decision, you should seek guidance from either

Maurice Daniel, e-mail mdaniel@devon.gov.uk , telephone (01392 38) 2389 or

Paul Witton, e-mail pwitton@devon.gov.uk , telephone (01392 38) 2379

PAYE COMPLIANCE

Employers can expect a full Inland Revenue Audit at least every six years. This will cover every activity where there is a potential income tax and national insurance liability. Due care is taken by Devon Payroll Services to reduce the risk of financial penalties in the form of fines, arrears and interest payments. Schools are reminded of the importance of ensuring payments to staff are processed through the County Council's payroll system, with possible implications on the schools budget where non compliance results in financial sanction by the Inland Revenue. Liabilities may arise at any time where the Inland Revenue determine that the authority has not applied the tests reasonably.

MATERNITY PROVISIONS

Devon Payroll Services provides advice and guidance to staff on the application of these provisions. The detailed notes below are not exhaustive but are aimed at providing a general overview of the financial implications for schools.

Effects on the School Budget

Teachers

Schools are not responsible for funding Maternity Pay for Teachers. However, due to the timing of pay runs, you may find that in the first month of the Maternity Pay Period, the schools budget will be charged for both the proportion of salary and maternity pay relating to that month. In such cases, Devon Payroll Services notifies Finance Services Education of the amount of Maternity Pay, and a reimbursement including on-costs is made to the school.

Until the end of the maternity period subsequent payments are allocated to a central fund. If due to the timing of pay runs, you may find that in the last month of the Maternity Pay Period, the schools budget will not be charged for both the proportion of salary relating to that month. In such cases, Devon Payroll Services notifies Finance Services Education of the amount of normal salary, and a charge including on-costs is made to the school.

APT&C Staff and Manual Workers (NJC)

The school is responsible for paying Maternity Pay for the above staff, subject to the employee being eligible under the terms of the Contractual and Statutory Maternity Schemes.

The Schemes in more detail

Contractual maternity Pay (CMP)

To qualify for CMP the employee must have completed at least 1 year of continuous service as at **11 weeks before the expected week of confinement**. Should this criterion be satisfied, the employee is entitled to

receive CMP as follows:-

- 6 weeks @ 9/10 pay - (retained whether or not the employee returns to work)
- 12 weeks @ half pay - (must return to work for a period of at least 3 months)

Statutory Maternity Pay (SMP)

(8% payable by the employer, 92% by the Government (1999/00). Lower Rate set annually by the Chancellor)

To qualify for SMP the employee must have completed at least 26 weeks continuous service as at **15 weeks before the expected week of confinement**. She must also satisfy the average weekly earnings rule as set out in the "Statutory Maternity Pay Manual for employers". If your employee pays National Insurance on each salary payment she will qualify.

SMP is calculated as follows:-

- 6 weeks @ higher rate - (approximately 9/10 pay)
- 12 weeks @ lower rate - (currently £59.55 per week)

If your employee is entitled to CMP and SMP and she intends to return to work for the required period she will receive payment as follows:-

- 6 weeks higher rate SMP, plus top up to CMP if applicable
- 12 weeks lower rate SMP, plus half pay

Set out below is an example of the charge to your school if your non teaching member of staff qualifies for both CMP plus SMP. This example is for illustrative purposes only.

SMP

6 weeks @ higher rate, £130.00 per week (rate calculated on average earnings as defined in the Scheme)	£ 780.00
12 weeks @ lower rate, £ 59.55 per week (Standard rate)	£ 714.60
Total SMP	£1494.60

SMP payable by school = *£119.56 (£1494.60 x 8%)

CMP

6 weeks @ 9/10 current pay of £150 LESS Higher rate SMP (£135.00 per week less £130 SMP x 6)	£ 30.00
12 weeks @ half current pay, £75.00 per week.	£ 900.00
Total CMP	£ 930.00

CMP payable by school = *£930.00

* The amounts are exclusive of on-costs

The calculation is complex and will depend on the circumstances of the individual member of staff. The timing of pay awards and other changes to income may mean that the final figure will differ in detail from the simplified version above.

APPENDIX 3 - MINIMUM STANDARDS FOR INSURANCES

Key Criteria

- ❑ Cover must be obtained from a reputable insurer either a member of the Association of British Insurers or Lloyds of London.
- ❑ Policy excesses should be minimal and not exceed £1,000.
- ❑ Exclusions should only be those recognised as standard in the insurance industry

Minimum Levels of Cover

- ❑ PROPERTY INSURANCE
 - Full re-instatement value for all buildings and contents.
 - Business Interruption cover : Limit of indemnity £5 million.
- ❑ ENGINEERING
 - Cover for Explosion and Fragmentation, plus periodic Statutory Inspection
 - Limits of indemnity : £150,000 explosion and £5,000 impact damage due to fragmentation
- ❑ EMPLOYERS LIABILITY
 - Limit of indemnity: £40 million
- ❑ PUBLIC & PRODUCTS LIABILITY
 - Limit of indemnity: £40 million
- ❑ LIBEL & SLANDER
 - Limit of indemnity: £1 million
- ❑ OFFICIALS INDEMNITY
 - Limit of indemnity: £1 million
- ❑ PROFESSIONAL INDEMNITY
 - Limit of indemnity: £ 5 million
- ❑ MOTOR VEHICLES
 - Cover on fully Comprehensive basis
- ❑ FIDELITY GUARANTEE
 - Limit of indemnity: £10 million all staff
 - £1 million third party computer fraud.
- ❑ PERSONAL ACCIDENT (Assault)
 - Capital benefits: £50,000
- ❑ PERSONAL ACCIDENT (Teachers Out of School Activities)
 - Capital benefits: £50,000

APPENDIX 4 : REGISTER OF BUSINESS INTERESTS

Recommended format.

Name of Governor _____

Date of Appointment _____ Date of Resignation/Retirement _____

Name of Organisation	Nature of Interest	Date from which involved	Signature	Date of entry	Date interest ceased	Signature	Date of entry	Notes

Notes: 1. Use the notes column to indicate relationships. 2. One Page for each Governor or more if required. 3. Make all entries in ink

Record of Reviews

Date										
Initials										
Date										
Initials										

APPENDIX 5 - THE GOOD PRACTICE GUIDE

Policy Statement on the Proper Conduct of Business

January 1999

Introduction

1. The County Council is a large public authority which expects the highest standards of conduct and integrity from everyone who has dealings with it. It is determined that the culture and tone of the organisation embodies honesty, and opposition to corruption and dishonesty. Elected members and employees are expected to lead by example.
2. The purpose of this policy statement is to:-
 - encourage prevention of dishonesty
 - promote its detection
 - identify a clear path for investigation.
3. Acts of dishonesty within the Council are rare and this is testimony to the skills, dedication and decency of elected members, employees and others with whom the Council deals. Constant vigilance will ensure that this continues and the Council, including elected members, will be robust in dealing with malpractice.

Reporting Malpractice

4. The public are encouraged to report any concerns. They may ring Devon Audit Services (the Council's Internal Audit) on Exeter (01392) 382438 or the County Council help line on Exeter (01392) 382306 (there are out of hours answer machines), or report through their elected representative. Elected members may also report direct to Devon Audit Services or through the Director of Resources or the Chief Executive.
5. Employees are an important element in the Council's stance on dishonesty. They have a duty to protect public assets and a responsibility to report any concerns. They can do this without fear of recrimination and in the knowledge that this will be treated in confidence and properly investigated. If any dishonesty, or a loophole or a systems weakness that could result in theft or fraud, is detected it must be reported immediately to Devon Audit Services (telephone Exeter (01392) 382438 or via the internet or e-mail: audit@devon.gov.uk). Managers must make their staff aware of these expectations.
6. If employees feel unable to raise their concerns through internal routes they may wish to contact Public Concern at Work (telephone 0171 404 6609 or e-mail: whistle@pcaw.demon.co.uk), a registered charity whose services are free and confidential.

Action following reporting

7. Senior managers are responsible for following up any allegation of malpractice, fraud or corruption by:-
 - immediately reporting directly to Devon Audit Services or through the Director of Resources who will:-
 - deal promptly with the matter
 - record all evidence
 - ensure evidence is sound and adequately supported
 - report any evidence of criminal offences to the police
 - report the findings promptly to senior management.

- fully co-operating with internal audit, personnel and other staff during any investigation
 - notifying the Council's insurers of any possible insured losses
 - implementing the Council's disciplinary procedure where appropriate
 - speedily and effectively correcting any weaknesses discovered
 - dealing swiftly, fairly and firmly with those who offend against the Council.
- 8. The reporting and investigation process must not be misused. Any abuse, such as raising unfounded malicious allegations, may be dealt with as a disciplinary matter.

Corruption

- 9. It is a criminal offence for members and employees corruptly to receive or give any gift, loan, fee, reward or advantage for doing or not doing anything or showing favour or disfavour to any one in an official capacity. If an allegation is made, the member or employee must co-operate fully to help demonstrate that any rewards have not been obtained corruptly.
- 10. Members and employees must ensure that they use public funds in a responsible and lawful way. They must strive to ensure value for money to local communities and avoid legal challenge to the Council. They must have regard for legislation and the Council's Standing Orders, Financial Regulations, minimum standards, codes of practice and procedures.

Register of Interests and Gifts

- 11. The County Solicitor maintains a register of declared interests and the receipt and persistent offer of gifts and hospitality.

Personal Interests

- 12. Members' and employees' non-financial interests that could bring about a conflict with the Council's interests (e.g. acting as a school governor within a school maintained by the Council, involvement with an organisation receiving grant aid from the Council, membership of a National Health Service Trust Board) must be declared to the County Solicitor. Any financial interests, direct or indirect, which could conflict with the Council's interests should be declared.

Hospitality

- 13. Members and employees should only accept offers of hospitality if there is a genuine need to impart information or represent the Authority in the community. Offers to attend purely social or sporting functions should be accepted only when these are part of community life or where the Authority should be represented. It should be properly authorised and recorded.
- 14. When hospitality has to be declined, those making the offer should be courteously but firmly informed of the Authority's procedures and standards.
- 15. Members and employees should not accept significant personal gifts from contractors and outside suppliers, although the Authority will allow employees to keep insignificant tokens such as pens, diaries, etc.
- 16. When receiving authorised hospitality, members and employees should be sensitive to the timing of decisions which the Authority may be taking affecting those providing the hospitality.

Relationships with Contractors

- 17. Employees who engage, supervise or have an official relationship with contractors and have had or currently have a private or domestic relationship should declare it to the County Solicitor and line

manager and have no further involvement in the contract. Orders and contracts must be awarded on merit by fair competition and no favour will be shown to any person or businesses, especially those run by or employing relatives, partners or friends.

Prevention of Malpractice

18. The Council's regulations, codes of conduct, statements of best practice, minimum standards, systems and procedures are designed to ensure the integrity of all its activities, and must be observed at all times.
19. Arrangements are in place to encourage the exchange of information between the Council and other agencies on fraud and corruption in relation to local authorities.
20. The Council recognises that the continuing success and credibility of its anti-fraud and corruption strategy will depend largely on the effectiveness of training and responsiveness of employees throughout the organisation. The Director of Resources is required to ensure, with Service Directors, that appropriate education and training is provided for all those involved in financial procedures which have a bearing on the financial standing of the Council. This will ensure that the highest standards of financial management are achieved and minimise the Council's risks.

Conclusion

21. The Council has a network of systems and procedures to help in the fight against fraud and corruption. It is determined that the highest standards of probity will apply to all its activities. This will depend on the integrity of those providing and using these services. Devon has an excellent record which the Council wants to maintain so it is vital that everyone remains vigilant.

What should YOU do if you suspect a fraud?

Employee's checklist

DO	DO NOT
Make an immediate note of your concerns	Do nothing
Tell someone, with proper authority and experience, about your suspicions.	Be afraid of raising your concerns
Deal with the matter promptly, if you feel your concerns are warranted	Approach or accuse anyone directly
	Try to investigate the matter yourself
	Tell anyone, other than those with proper authority, about your suspicions

Manager's checklist

DO	DO NOT
Be responsive to staff concerns	Ridicule suspicions raised by staff
Note details	Approach or accuse anyone directly
Evaluate the allegation objectively	Try to investigate the matter yourself
Advise the appropriate person	Tell anyone, other than those with the proper authority, about your suspicions
Deal with the matter promptly, if you feel your concerns are warranted	

APPENDIX 6 - CHARITABLE TRUSTS

Introduction

Charities which support education have been in place for many years. It is open to almost anyone to establish a charity and to register it with the Charity Commissioners. In recent times this has become more popular as a means of generating or accessing funds. This is a complex area and the purpose of this section is to give a brief overview and to highlight some of the issues for schools who may be considering this approach.

Regulation of Charities

Charities are regulated by the Charity Commissioners under various legislation principally the Charities Act 1992 and the Charities Act 1993. The Commissioners give the definitive advice on all matters concerning Charities.

Taxation issues

There are common misconceptions about charities and their position in respect of tax and Value Added Tax. Exemption from corporation tax is principally limited to the charitable purpose and in most cases the charity must bear VAT. These items are explored in more detail in the sections that follow. As a guiding principle it is safer to assume that an activity is subject to tax and then see if there is specific exemption which applies.

Issues for Governors

1. Any charity must be completely at arms length from the school budget share and any other unofficial funds maintained by the school. This means that any applicable VAT will be borne by the charity. It **cannot** be recovered via budget share.
2. Governors will need to consider the Trust deed. This is a legal document which sets out the rules for the charity, its aims, objectives and powers. This is sometimes called the governing document. They may start from a clean piece of paper but more likely they will start from a model document prepared by someone else. In particular they will need to take account of issues such as
 - The objectives
 - The name (Foundation, Trust and Charitable Trust are all popular inclusions in charity names).
 - The eligibility criteria for participation (which schools will be involved? just their school or feeders as well)
 - Who has the power to appoint trustees? Does the model document which they select give them this power or does it mean that the Trustees are self perpetuating or that someone else has a power to appoint? If governors have the power to appoint the Trustees then they need to consider their criteria. Must for example the Trustee be a school governor. Trustees normally serve to the end of their term of office.
 - Does the model document need alteration to meet specific local needs? If it does then professional advice may be needed. The local office of the Charity commission may be able to give advice. If the alterations to a model document are substantial care must be taken to ensure that this does not prejudice registration as a charity.
 - What power does the model document confer on the Trustees to change the rules of the charity?
 - What indemnity for trustees does the trust deed provide?
 - Governors should be careful not to create conditions which are so restrictive that they make the charity incapable of acting flexibly.
 - Once the Trust deed is drawn up and approved and the first trustees appointed then the school governors have no further say in the matter. Trustees must always act in the best interests of the charity they are not there to act on behalf of others.
 - There may be advantages in the charity having a power to make grants.
3. Governors need to consider the limitation of liability. This may be established by creating a company limited by guarantee and having charitable objects. This is more complex than a simple trust deed. There are the costs of setting up such a company but the trustees have some protection if things go wrong. It may be appropriate to

consider this as part of the initial setting up of the charity. The Charity Commissioners may be able to provide a model document.

4. Governors need to decide whether to provide a contribution to the charity and on what basis. If the eligibility criteria for receiving benefits from the charity are set more widely than just their school then the contribution will need to be ring fenced. Governors are not able to use budget share to benefit pupils of other schools and generally unofficial funds will be similarly ring fenced.
5. Governors may think it appropriate to provide some form of administrative support from school staff. The extent to which they do this needs to be carefully considered in the light of the eligibility criteria and the terms of the governing document.
6. The law precludes governors from lending money from public funds to any organisation including charities.
7. Governors are legally precluded from offering guarantees or sureties to third parties in respect of bank accounts and other agreements from public funds.
8. Governors in setting up such a venture should bear in mind the connection with the school and be satisfied that there are safeguards for the schools' reputation and good name.

Issues for Trustees

1. A charity must be well managed arguably trustees should manage its business better than their own. They will be administering money that is given in the belief that it will be spent wisely and well.
2. Trustees should produce a business plan supported by a budget. This needs to include a cash flow forecast to ensure that the Trust will be able to meet its obligations. This should allow for the timing of receipts from donors participants and tax recovery.
3. Separate accounts must be maintained in accordance with the Charity Commissioners requirements. The Charity Commission will supply helpful literature. This will allow trustees to see what is involved and take appropriate action. The definitive Accounting and reporting for Charities Statement of Recommended Practice is provided on registration.
4. Trustees will need to establish adequate financial controls. This is also the subject of Charity Commission advice and the LEA does **not** give its own separate advice.
5. Trustees will need to budget for the costs of preparing and having the accounts independently examined. (The extent of review required is set according to thresholds. These are laid down by the Commissioners. The costs involved will be proportionate to the level of examination required).
6. Consider insuring assets and obtaining appropriate liability insurance and budget accordingly.
7. Consider the likely incidental expenses of the charity and budget accordingly.
8. Consider the need for professional advice and budget accordingly.
9. Specific advice needs to be taken on VAT issues. Charity relief by zero rating is applicable to a very narrow group of charities and it is likely that the supplies to an educational trust will not be eligible to be zero rated. This will need to be allowed for in budgets.
10. Where the recovery of tax is providing a substantial element of income, the tax position is crucial. The following points are relevant and specific professional advice may be needed.
 - ❑ Transactions made before the granting of charitable status are subject to taxation in the normal way.
 - ❑ Any donations where tax is to be recovered must comply with Inland Revenue requirements or the repayment of tax may be refused. It is prudent to check that the paperwork is correct from the outset, in some circumstances the Charity Commissioners or the Inland Revenue may provide assistance but otherwise professional advice may be required.

- ❑ Corporate donations should be made under Gift Aid.
 - ❑ Contributions made from budget share or local authority funds do not attract repayment of tax.
 - ❑ Recovery of Tax is restricted to taxpayers and is usually limited by the tax paid. This is particularly relevant to low income / non earning families and will need to be allowed for.
 - ❑ Considerable care is needed with the rules relating to benefits received by those making covenants.
 - ❑ There are also considerations in ensuring that the way parental voluntary contributions are handled do not compromise any tax rules.
 - ❑ The Inland Revenue expect records to be kept in accordance with laid down requirements and inspects them periodically.
8. Charitable status may confer relief from other taxation
- ❑ Charities will obtain 80% mandatory relief from rates on property and may apply for the balance as discretionary relief.
 - ❑ Charities may receive reduced rate VAT on fuel in respect of non business occupation of premises
 - ❑ It is anticipated that there will be relief from Climate Change levy when it is introduced in 2001.
9. The Trustees must determine
- ❑ Which groups of people are eligible to benefit, for example specific year groups.
 - ❑ How, should resources be limited, they will prioritise between eligible applicants.
 - ❑ What charging policy will be applied and how the money will be collected.
 - ❑ What evidence of income they will need to trigger any subsidy.
 - ❑ How they will subsidise and raise money to fund subsidies.
 - ❑ How they will deal with pupils who leave.
 - ❑ How they will deal with bad debt and other difficult issues.
 - ❑ Policies relating to out of pocket expenses.
 - ❑ Policy for investment of funds not immediately required to be applied to charitable purposes.
10. Trustees will need to follow Charity Commission advice and ensure that donations to which conditions have been attached are ring fenced and only applied for the specified purposes.
11. Trustees will need to make adequate arrangements for the safeguarding of the charities assets.

Further information and references

Charity Commissioners, Woodfield House, Tangier, Taunton, TA1 4BL

<http://www.charity-commission.gov.uk>

VAT: HM Customs and Excise

Inland Revenue, Financial Intermediaries and Claims Office, Technical and Advisory Division, Bootle

There are a number of commercially available technical guides.

Legislation

Charities Act 1992

Charities Act 1993

Income and Taxes Act 1988

Section 347A(7) sets conditions upon covenants

Section 505 provides for relief of charities from tax in defined circumstances

Accounting and Reporting for Charities; Statement of Recommended Practice.