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Purchase cards for Schools

# LMS Finance Team

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#### LUTON BOROUGH COUNCIL

#### LMS FINANCE TEAM

## Purchase Cards for Schools

## Scheme Notes and Procedural Guide

## 1. General Background to the Scheme

The purchase cards for schools scheme is co-ordinated by the LMS Finance Team. The processes covered on behalf of schools are: Card issue, card re-issue (on expiry); returned cards; amendment of limits and Merchant Category Groups (which can be used to restrict types of purchases) for cardholders.

Schools’ local bank accounts are debited monthly by Royal Bank of Scotland (RBS) with the cost of that month’s transactions. Expenditure processing on FMS6 is a matter for the schools, but should be carried out on a timely basis upon receipt of a statement and before the monthly bank returns are submitted to the LMS Team.

There is a range of security checks that are in operation. The checks will help schools to control the use of their own cards.

## The RBS Purchase Card Scheme for Schools

The purchase card scheme is available to all local bank account schools. Schools wishing to join the scheme should ensure that approval is sought from their governing body before completing an application form for each cardholder and a direct debit mandate. Both of these forms should be signed by two authorised local bank account signatories. (Please see application form instructions). Completed forms should be returned to the LMS Finance Team.

Upon receipt, forms will then be forwarded to the Head of Revenues and/or Chief Accountant for authorisation. Cards will be sent directly to schools from RBS.

There are established procedures and forms that have been adapted for schools to use.

The basis of operation from the cardholder’s perspective is as follows ….

 The cards are personal and are issued to a member of staff who has the responsibility for its use.

The card is signed by the cardholder who is given a welcome pack, including a copy of procedures for use of the card, at the point of issue.

 Monthly purchasing limits and single transaction limits are prescribed.

Cardholders are restricted to a standard set of Merchant Category Groups which will give schools control over purchases made by staff. (Limits and Merchant Category Groups may be changed on written request from the school to the LMS Finance Team). Subject to some overall limitations, schools are in control of their own cards.

All expenditure over £100 must have prior authorisation of the budget holder/headteacher.

Purchases are made by the cardholder, on the phone, over the Internet or face to face. All card receipts and VAT receipts must be retained.

The LMS Finance Team is the focal point for the administration of the scheme and is the single point of contact to resolve problems, review card limits and Merchant Category Groups.

RBS will set up each school with a separate account under the umbrella of Luton Borough Council. RBS will then issue a direct debit request for each account and the school’s bank account will be debited individually on a monthly basis as purchases are made.

At the end of the month a statement for each cardholder is sent to the school for the attention of the Bursar. The statements have a dual purpose: firstly they will be used to verify the direct debit taken by RBS; secondly, they will be used by the cardholder to reconcile the purchase receipts to the statement. The cardholder then completes an expenditure log form which is used by the School’s financial staff to update local expenditure accounts.

The advantages to schools are that the scheme offers a low cost entry option; they will use a scheme already established in other Local Authorities who have been audited and it can therefore be used with assurance.

## 3. Security Issues

There is a range of security checks that are in place as follows:

Requests for the issue of applications must be in writing from the Head Teacher or the Chair of Governors if the Headteacher is a recipient of a card.

 The card limits are set at a low level, which can be increased if a business case is put forward to the LMS Team.

 There is a standard set of Merchant Category Groups assigned to all cardholders, others may be added on written request and others are barred. - See Appendix A for details.

 There is a set of instructions issued with the card.

Schools are pre-warned by RBS of the direct debit amount that will be taken from the school’s bank account

The school’s budget holder countersigns expenditure log forms, completed by the cardholder.

RBS confirm the following:

On the subject of faulty goods, the cardholder must take up the issue with the supplier. If no progress is made, RBS will take up the matter on behalf of the cardholder. This is rare.

Fraud - Where third party fraud takes place as a result of stolen or counterfeit cards, providing the card is reported lost/stolen as soon as the loss/theft is discovered a school will be liable for the first £25.

## 4. Advantages and Disadvantages of Using Charge Cards

### 4.1 Advantages

1. Simpler Administration from the cardholder’s point of view
2. Convenient purchase of goods and services over the phone – many suppliers are geared towards payment by purchase card
3. With hotel pre-booking, hotels often expect rooms to be held by a card.
4. Convenience of school staff not having to use their own money for purchases and then having to go through laborious procedures (petty cash reclaim) or to wait for reimbursement
5. Ideal for low-value purchases, urgent purchases, one-off purchases and purchases from the retail sector.
6. Purchasing over the Internet is allowed providing the cardholder follows advice drawn up with the assistance of Internal Audit

### 4.2 Disadvantages

1. Purchases may not all be followed through with a VAT receipt given/posted to the cardholder. Without a VAT receipt, **VAT cannot be recovered by the school**.
2. Loss of commitment accounting. This is a major drawback if a school values commitment accounting. Purchases may take up to six weeks from the point of purchase to the time expenditure is entered into the general ledger.

**5. Number of Cards**

The maximum number of cards issued to a school will be five. Employees who are involved in the day to day running and reconciliation of the bank account e.g. the Bursar/Finance Assistant should not be cardholders.

## 6. Costs

There is an annual administrative charge of **£31 per annum per card** from the LMS Team to cover the scheme administration. (subject to change)

**7. Application Form Instructions**

The application form must be completed by the person who wishes to hold the card.

The card holder should use their own residential address in part 2 and the school address in the correspondence address line.

The card limit is set at £1,000 and the transaction limit at £500 (unless schools have submitted a case for a higher limit to the LMS Finance Team and this has been agreed). Limits can be changed at a later date. ..

Cardholders will automatically be granted the standard set of Merchant Category Groups, please see Appendix A for details. Please make a case if other optional MCGs are required. Cardholders cannot have access to those which are marked ‘B’ as they are barred.

## 8. Cardholder Procedures

The card must be used in accordance with the instructions for cardholders as issued by Luton Borough Council and accepted by the cardholder when signing the ‘Employee Undertaking’. (See Appendix B for details). Cardholders will also be given a copy of the cardholder’s instructions (See Appendix C).

The card number can be quoted over the phone to pay for goods and services authorised by the school. Neither the number nor the card can be given to anyone else to use. Purchases over £100 should have prior approval.

If the card is presented personally by the cardholder, then obviously only the cardholder can sign for goods purchased.

On receipt of the monthly statement (issued on the 20th of each month) the cardholder must check all payments against the statement and contact the supplier within 5 working days if there are any discrepancies.

The cardholder must attach all VISA slips and VAT receipts to the statement, ensuring that every transaction is supported by both. **Note : an appropriate VAT receipt must be supplied with all purchases in order for the school to claim refund of VAT**.

All purchases must be analysed on the RBS Transaction Log Form – Luton Borough Council. It is recommended that this is completed as soon as practicable after individual purchases are and passed to the finance officer.

Private use of the card is strictly prohibited. Cardholders will be required to reimburse Luton Borough Council with the amounts of any unauthorised transactions and cards will be withdrawn should this occur.

The user must pass the log form (a copy to be retained by the user if they so wish), the monthly statement and all supporting VISA slips and VAT receipts to the school finance office within 3 working days of receipt of the statement.

## 9. Lost/Replacement Cards

 Any loss or theft must be reported immediately upon discovery of the loss or theft to RBS and must be notified in writing/e mail to the LMS Finance Team.

 Cardholders must sign a new employee undertaking form upon receipt of their replacement cards.

## 10. Disposal of Cards

Any expired cards, or cards reported as lost/stolen which subsequently are found, should be cut up and disposed of appropriately by the school or returned to the LMS Finance Team, having first been cut up.

## 11. Finance Office Procedures

On receipt in the finance office the Headteacher (or other authorised signatory of the local school bank account, note this must not be the Headteacher in cases of their own claim) must countersign the log form as authorisation to the purchases made and posting of the transactions to the local school accounting system.

The direct debit charge will be made to the local school bank account on the 7th day after the statement date. The finance officer must check the direct debit charge matches the statement total. Any discrepancies must be notified to the LMS Finance Team (01582 548076) and remedial action will be agreed.

Once the direct debit is agreed the charge must be posted to the local accounting system:-

FMS6 Cash Book Journal

Narrative: RBS ‘CARD NUMBER’ ‘MONTH’ ‘YEAR’

 (last 8 digits)

 e.g. “RBS 12345678 April 2007”

All paperwork must be retained in a clearly marked folder giving an audit trail to the entries posted on the school accounting system.

## 12. Framework for Internet Purchasing With RBS Purchase Cards

* *This framework is in addition to the normal rules governing purchasing.*
* *If you have previously used a company some of these rules may not apply.*
* *There must be a requisition system in place before purchasing online.*
* Only use UK sites as there are VAT implications for trading overseas.
* If goods are vatable, telephone the company to make sure that a paper VAT receipt is issued. If the company cannot provide this then do not purchase from them.
* Keep a record of the retailer’s contact details which should be a physical location rather than PO Box and a non-mobile telephone number
* Read the delivery and returns policy before completing an online transaction. Check you can return any unsatisfactory items and whether you will get a refund or a merchant credit.
* Check the privacy and security policies to ensure your details are safe, i.e. that there is an encryption facility. When entering a secure area (i.e. when disclosing purchase card number) you should see all or some of the following: ‘http’ of the web address changes to ‘https’, a padlock icon appears on screen, and/or a security message alert. Additionally, traders who subscribe to an online code will display a recognised logo, i.e. TrustUK Hallmark denotes an approved webtrader.
* Ensure you are fully aware of the payment commitments you are entering into, including whether you are entering into a single payment or series of recurring payments, and whether the price includes tax, packaging and delivery.
* Use the form at Appendix D as a checklist

**Appendix A**

|  |  |
| --- | --- |
| **Merchant Category Groups – Schools** |  |
|  |  |  |
|  | **Description** | **Status** |
|  |  |  |
| 1 | Building Services | S |
| 2 | Building Materials | S |
| 3 | Estate and Garden Services | O |
| 4 | Utilities and Non Automatic Fuel | B |
| 5 | Telecommunication Services | B |
| 6 | Catering and Catering Supplies | S |
| 7 | Cleaning Services and Supplies | O |
| 8 | Training and Educational | S |
| 9 | Medical Supplies and Services | O |
| 10 | Staff - Temporary Recruitment | O |
| 11 | Business Clothing and Footwear | S |
| 12 | Mail Order/Direct Selling | O |
| 13 | Personal Services | B |
| 14 | Freight and Storage | B |
| 15 | Professional Services | S |
| 16 | Financial Services | B |
| 17 | Clubs/Associations/Organisations | S |
| 18 | Statutory Bodies | S |
| 19 | Office Stationery | S |
| 20 | Computer Equipment/Consumables | S |
| 21 | Print and Advertising | S |
| 22 | Books and Periodicals | S |
| 23 | Mail and Courier Services | S |
| 24 | Miscellaneous Industrial/ | S |
| 25 | Vehicles, Servicing Spares | S |
| 26 | Automotive Fuel | S |
| 27 | Travel - Air/Rail/Road | S |
| 28 | Auto Rental | B |
| 29 | Hotels and Accommodation | O |
| 30 | Restaurants and Bars | O |
| 31 | General Retail and Wholesale | S |
| 32 | Leisure Activities | O |
| 33 | Miscellaneous | B |
| 34 | Cash (ATM/Branch) | B |
|  |  |  |
| Status S - Standard |
|  B - Barred |
|  O - Optional |

Appendix B

**RBS PURCHASE CARDS**

**Employee Undertaking (Schools)**

**New / Replacement Cards**

**I declare that:**

**I have received my Purchasing Card and will keep it in a safe place at all times;**

**I have received a copy of the Instructions for Cardholders and have read and understood the content.**

**I agree to comply with its requirements particularly:**

 **that the number or the card will not be given to anyone else to use.**

**I will comply with the Internet Purchasing Framework if goods and services are purchased over the Internet.**

**I undertake to use the Purchasing Card solely for Luton Borough Council Business.**

**FAILURE TO COMPLY WILL RESULT IN YOUR CARD BEING WITHDRAWN**

**If this is a re-issue, it is your responsibility to return your old card to the finance officer**

**Card Number.........................................................................**

**Cardholder Name..................................................................**

**Signed....................................................................................**

**Date.........................................................................................**

Appendix C

**LUTON BOROUGH COUNCIL**

**ROYAL BANK OF SCOTLAND**

**PURCHASE CARD SCHEME**

**SCHOOLS**

**INSTRUCTIONS FOR CARDHOLDERS**

**LMS FINANCE TEAM**

###### October 2021

**Basic Procedures within the Scheme**

The card can be used to purchase anything that would normally have been purchased via an official order or from an imprest account, subject to the following restrictions:

1. **Purchases must be less than £500 (inc VAT) per individual transaction (unless your school has agreed a higher limit)**
2. **All purchases over £100 must have prior approval**
3. **A monthly limit will be applied depending on an individual’s estimated use.**
4. **Purchases can only be within a limited range of goods and services defined in the purchase card scheme.**
5. **Card holders must not exceed their personal limits.**
6. **Private purchases are strictly prohibited.**
7. **Purchases can only be made from suppliers who accept Visa.**
8. **The card cannot be used to withdraw cash.**
9. **The purchase amount must be known before the card number is given.**
10. **THE CARD ISSUED IS FOR THE USE OF THE CARD HOLDER ONLY**

**‘Face to Face’ Purchases**

The card will be used in the same way as any personal credit card. It is presented at the point of sale to the supplier’s assistant who will produce a Visa voucher, which must be signed and retained.

**A VAT receipt must also be requested and retained . This is essential for correct VAT treatment and to enable the school to reclaim any VAT. NOTE: Some suppliers provide a combined till receipt/VAT receipt.**

**Telephone Purchases**

Placing a telephone order will require the card number, expiry date and name of the cardholder.

**It is essential that a VAT receipt is obtained from the supplier.**

To aid your own budget monitoring process each cardholder should make a note of telephone orders placed and submit these to the bursar/finance officer.

When the goods are delivered, the Visa voucher and Vat receipt must be retained.

**Settlement of Credit Card Invoice**

Each month (20th) RBS will send statements to the School’s Finance Officer and a summary will be sent to Luton Borough council. The school’s Bank Account will be direct debited within seven working days.

**Processing the Statement Each Month**

The procedure for processing the transaction entries on your statement is contained on the reverse of the Transaction Log Form.

**Loss of Card**

Should a card be lost you must immediately notify the LMS Finance Team, during office hours, or directly contact RBS on **0870 6000459** at any other time, confirming the loss to the LMS Finance Team on the next working day.

**All Other Queries**

Please contact your School Financial Adviser in the first instance.

Appendix D

|  |
| --- |
| Website Checklist |

* **Company Name:**
* **Web Address:**
* **Range of Goods & Services on offer:**

|  |  |  |
| --- | --- | --- |
|  | Yes | No |
| Is the contact address based at a physical UK location? |  |  |
| Is there a non-mobile telephone number which you can contact? |  |  |
| Will the company send a vat receipt/invoice? |  |  |
| Does the website have a delivery and returns policy? |  |  |
| Can you return any unsatisfactory items? |  |  |
| Will you get a refund or a merchant credit for goods returned? |  |  |
| Is there a security and privacy policy? |  |  |
| When entering a secure part of the site does: - A padlock icon appear? - Does ‘http’ in the web address change to ‘https’? - A security message appear? |  |  |
|  |  |
|  |  |
|  |  |
| Is there a trustmark validation logo visible on any part of the site? |  |  |
| Are payment details well documented? |  |  |
| Can you enter a customer reference online? |  |  |
| Are you likely to order through this website again? |  |  |
| Advantages of using this website: |
| Disadvantages of using this website: |

|  |
| --- |
| Appendix E |
| **PURCHASING CARD DAILY LOG** |
|  |  |  |  |  |  |  |  |  |  |
| NAME |  |  |  | DEPARTMENT: |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
| DATE: | START |  |  | PHONE: |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  | FINISH |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
| **REF NO** | **ORDER DATE** | **SUPPLIER NAME** | **DESCRIPTION OF GOODS / SERVICES** | **SUPPLIER REFERENCE NUMBER** | **DATE REC'D** | **NET INVOICE AMOUNT** | **VAT RATE** | **VAT AMOUNT** | **GROSS INVOICE AMOUNT** |
| **1** |  |  |  |  |  | £100.00 | 20 % | £20.00 | £120.00 |
| **2** |  |  |  |  |  |  |  | £0.00 | £0.00 |
| **3** |  |  |  |  |  |  |  | £0.00 | £0.00 |
| **4** |  |  |  |  |  |  |  | £0.00 | £0.00 |
| **5** |  |  |  |  |  |  |  | £0.00 | £0.00 |
| **6** |  |  |  |  |  |  |  | £0.00 | £0.00 |
| **7** |  |  |  |  |  |  |  | £0.00 | £0.00 |
| **8** |  |  |  |  |  |  |  | £0.00 | £0.00 |
| **9** |  |  |  |  |  |  |  | £0.00 | £0.00 |
| **10** |  |  |  |  |  |  |  | £0.00 | £0.00 |
| **11** |  |  |  |  |  |  |  | £0.00 | £0.00 |
| **12** |  |  |  |  |  |  |  | £0.00 | £0.00 |
| **13** |  |  |  |  |  |  |  | £0.00 | £0.00 |
|  |  |  |  |  | **TOTAL** | **£100.00** |  | **£20.00** | **£120.00** |
|  |  |  |  |  |  |  |  |  |  |
|  |  | **AUTHORISING SIGNATURE** |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  | **SIGNATURE** |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  | **DATE** |  |  |  |  |  |  |  |