

Financial Control no1 School Bank Account

For clarity 'signed' means signed with a full signature.

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Updates March 2023:

Section 3.3 and Section 8 - Overdrafts

Section 7- Petty cash.

Updates Sept 2023: none

1. Introduction

All schools operate a local bank account, which allows them to pay for all costs directly, including employee's salaries.

The proper administration of bank accounts is a fundamental financial control. Regular bank reconciliations (at least monthly) are essential. Proving that balances are correct provides assurance that the underlying accounts have been properly compiled and are accurate.

2. The KCC Scheme

2.1 The KCC scheme allows schools two choices. The first option available to schools is the NatWest Corporate Bank Account Scheme, which offers a favourable rate of interest and competitive charges. The second option allows schools to choose their own bank from the list below. Schools that choose this option will be responsible for negotiating their own terms and conditions.

Barclays Bank Plc

HSBC Bank Plc

Lloyds Banking Group – Lloyds/HBOS
RBS Group – Royal Bank of Scotland/NatWest
Santander UK Plc
Nationwide Building Society

2.2 The name of the account **must** include Kent County Council, or KCC, and the account mandate must provide that the Local Authority (LA) is the owner of the funds in the account. This is regardless of whichever Bank the schools chooses to bank with. **The account's terms and conditions must state the LA is entitled to receive statements; and that it can take control of the account if the school's right to a delegated budget is suspended by the LA.**

2.3 In exercising choice, Governors and Headteachers need to take care and consider the potential benefits and risks involved. The choice of bank must be approved by the Governors, who must satisfy themselves that the chosen bank provides "value for money". Factors to consider when making an informed choice are bank charges, interest on credit balances, the location of branch and the length of contract. Schools should also be aware that banks and building societies tend to quote in slightly different ways.

2.4 Schools that choose an external option need to send a copy of the account's terms and conditions to Schools Financial Services.

2.5 Any interest earned by schools on delegated funds will be retained by the school. Interest on funds should, wherever possible, be paid gross of tax. This will automatically be the case for schools within the Corporate Scheme. Those schools that have their own bank account should negotiate this arrangement with their bank or building society.

2.6 The Director of Education retains rights of access to all official KCC bank accounts, irrespective of with whom the school banks with. (see point 2.2)

2.7 The way in which financial information is reported is the same for both the Corporate Scheme members and for those schools who have made their own arrangements.

2.8 Only in exceptional circumstances are emergency payments made to schools. Any requests for emergency payments should be addressed to the LA Finance Business Partner CYPE (schoolfunding@kent.gov.uk) with reasons why the payment is required and a decision will be made on the validity of the request.

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3. The Corporate Scheme

3.1 Interest is earned on credit balances, current interest rates are available on request from the Treasury team Treasuryoperations@kent.gov.uk .

3.2 If schools incur bank charges, these will be deducted quarterly, at the rates negotiated with the County Council's banker.

3.3 Schools may not go overdrawn (see section 8).

3.4 Schools are not empowered to arrange their own overdraft facilities, loans or any other form of credit including credit cards.

3.5 Schools in the Corporate Scheme are not required to submit cash flow statements. Schools' reconciliations are checked to give an indication of cash flow difficulties.

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4. Bank stationery

4.1 Schools are responsible for ensuring that their bank supplies them with the correct and sufficient stationery, e.g. cheques and paying-in books. Schools order their own cheques. These can be personalised if they wish, e.g. by the inclusion of the school logo.

4.2 Blank cheques must not be pre-signed and all bank stationery must be kept in a safe or locked in a secure place.

4.3 Bankline cardholders should as best practice keep their named card on their person. Passwords must not be shared.

4.3 Schools can choose to receive paper copies of statements sent by the bank, the preferred option is for schools to use online banking to download statements. It is a requirement that schools receive and check statements at least monthly. (see also section 9.3)

The Headteacher, or designated deputy must see the bank statement at least monthly. As part of the reconciliation process the Headteacher, or designated deputy must sign the bank statement.

4.4 As part of the returns required by the LA, Schools Financial Services must receive from the school, twice yearly (at half year and closedown), a bank reconciliation using the local system available, together with copy bank statements. The LA strongly advises the use of SIMS, as FMS produces the reports it requires.

An added advantage is that expertise is available to help with queries concerning SIMS.

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5. Advances

5.1 The scheme requires all delegated funds to be deposited within the bank account. However, it is impossible for the LA to give schools their entire delegated budget on 1st April each year. The reason for this being that the LA receives funding in the way of Government Grants and Council Tax over the financial year which, as a result, means all allocated funds are not available on 1st April.

5.2 Schools Delegated Budgets will be advanced to bank accounts in monthly instalments together with reimbursements for VAT and any other adjustments which may be required. Each school will receive a statement breaking down the amount to be credited.

The advances are profiled as follows:

Monthly (22nd April - 22nd March) -1/12th of Individual School Budget Share

If the 22nd falls on a weekend or a bank holiday, schools are credited on the previous working day.

The LA reserves the right to change the frequency and/or date of advance to school accounts.

Advances are made through Banks Automated Clearing System (BACS).

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6. Payments from/into the local accounts

6.1 All cheques, direct debit mandates and BACS payments require two signatories/authorisers.

6.2 The school's bank mandate must include the signatures for persons authorised to sign cheques, direct debit mandates and BACS payments. A minimum of three signatures is required on a mandate. All signatories must be employees of KCC, a governor (see 6.3) or in the case of Aided and Foundation schools, staff who have a contract of employment with the Governing Body.

6.3 Where a Governor is an authorised signatory, the school must ensure appropriate insurance cover is in place if the school's insurance provider is not KCC.

In the event of a Governor authorising a payment (cheque or online), a KCC employee must be the second signatory for that payment.

6.4 Payments from the school bank account must not be made for:

- Transferring monies into the voluntary or other private fund
- Cashing of personal cheques.
- Transference of monies collected on behalf of a charity.

6.5 All payments must be backed up by a valid, certified invoice from the supplier. For those schools arranging their own payroll, contracts of employment should be kept on file together with payroll reports from the payroll provider as proof of payment.

Other delegated expenditure must be accounted for in accordance with the relevant guidance.

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7. Urgent Payments (Petty Cash)

Petty cash should only be considered for items under £30, purchases over this amount should be made direct from the school account or via a onecard, following the procurement process.

7.1 Schools may hold a petty cash float, within their 'cash held on site' insurance limits, for minor items of expenditure. No one item of expenditure totalling more than £30 should be paid from the float.

7.2 When a need for petty cash is identified. A request slip for purchase should be authorised and cash is given to cover the pending purchase. After purchase the recipient returns with a receipt and any change without exception. Details of transactions, including authority to purchase, pettypcash forms and original receipts must be kept together and be certified by the budget holder.

7.2 The petty cash float should be reimbursed on a monthly basis from the schools own bank account.

7.3 VAT must be accounted for where appropriate and petty cash items should be included in the monthly VAT returns.

7.5 Petty cash transactions should be posted to the accounting system weekly and must be reconciled at least monthly, even when no transactions have occurred. The system calculated cash in hand balance must agree with the actual float amount plus the cash value of any receipts or invoices still to be processed. The reconciliation documents must be signed and dated by the reconciler and countersigned.

7.6 The petty cash float must be kept in a locked container and the keys should only be available to authorised personnel. It is recommended that no more than three keys are cut. The container and petty cash records must be stored in a safe and secure place, ideally a lockable cabinet or safe.

Please note that personal cash, credit and debit cards must not be used for the purchase of items for the school. Personal reward cards cannot be used alongside purchasing items for the school.

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8. Overdrafts

Schools may not go overdrawn. If a school anticipates this may occur, they should contact SFS School Support Team immediately for advice (03301 651001).

9. Accounting requirements

9.1 Only one current account may be opened in relation to delegated funding. Schools not in the Corporate Scheme are allowed one additional account for investment purposes which must only be accessible via the current bank account. No other accounts may be held for official school budget purposes. The advantageous interest rate provided by the Corporate Scheme usually means that no other account is necessary. Under no circumstances will direct payments/transfers to or from deposit/investment accounts be permitted. All transactions must be reflected through the current account.

9.2 Schools must ensure that an adequate separation of duties between staff exists so that no one person performs all the tasks associated with an individual transaction. It should not be possible for the same person to authorise an order, take delivery, certify the invoice and authorise the payment.

9.3 Bank statements must be received/printed at least monthly and reconciled to the accounting system each month using a statement with a 'closing balance date' no older than 14 days. All discrepancies must be resolved. The reconciled bank statements show evidence of being checked (annotated), be signed and dated by the officer completing the reconciliation and be countersigned by the Headteacher or authorised signatory (if delegated in the School's finance policy).

9.4 All documents and records, relating to bank accounts must be held in a form suitable for inspection by internal audit, external audit, Schools Financial Services, HMRC and any other authorised persons.

9.5 Schools must not under any circumstances offer any security to the bank nor give any guarantees about future level of business.

9.6 Schools are not empowered to arrange their own overdraft facilities, loans or any other form of credit including credit cards.

9.7 Any discrepancy in the bank account or any breach of these rules must be reported immediately by the Headteacher to Schools Financial Services.

9.8 All schools must submit a VAT return to Schools Financial Services on a monthly basis (by the 10th of the month) so bank accounts can be credited or debited.

9.9 Cancelled cheques should be put through the school's accounts. Any un-presented cheque of more than six months old should be treated as a cancelled cheque and the bank should be informed.

9.10 At Closedown each year, any goods or services delivered for which no payment has yet occurred and any income owing to the school but not yet collected will require a creditor and/or debtor to be set up. Schools should refer to the Closedown pack, issued on an annual basis, for further details.

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10. Retention of records

10.1 Headteachers have the responsibility to ensure that records are kept for the relevant retention periods. The retention schedule is available on KELSI <https://www.kelsi.org.uk/school-management/data-and-reporting/access-to-information/records-management> go to Information management toolkits section and open Record Retention Schedule for Schools

10.2 Paid invoices, copy orders, signed delivery notes and copy remittance advice slips should all be filed together in respect of each payment and filed in a logical order. Each invoice should be annotated to show date of payment, cheque number/BACS run number and the account to be charged. *These principles should be able to be evidenced if a school chooses to go paperless.*

10.3 Income records should be treated in a similar way as above, i.e. Copy receipts, advice of receipt from bank and paying-in slips/stubs filed together in receipt order and cross-referenced to the accounts. Income paid in online should be receipted to the system as soon as possible and cross-referenced to any held invoices or similar.

10.4 Any cancelled cheque must be clearly marked "cancelled" and retained with the relevant documentation. For un-presented cheques where the school does not have the physical cheque, all other relevant documentation should be kept. Cheque books and pre-printed cheques must be kept in a secure place such as a lockable cabinet.

10.5 The detailed accounts showing the audit trail back to individual invoices and receipts must be securely held to prevent their destruction and/or their corruption.

11. Accountability

All delegated budgets are public funds and the Corporate Director of Finance in their Section 151 role must ensure all schools comply with the regulations laid down within the Scheme for Financing Schools. Any school failing to comply will be answerable for their actions.

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