Section 1
School Bank Account

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

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

The name of the account must include Kent County Council, or KCC, or if the name of the bank account does not include KCC, the account mandate should provide that the Local Authority (LA) is the owner of the funds in the account. 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.

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. It should be noted that schools within the Corporate Scheme
will be allowed to go overdrawn in certain circumstances where as those schools that choose their own bank will not. This is explained further in the next section - The Corporate Scheme.

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

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.

The Director of Education, Planning and Access retains rights of access to all official KCC bank accounts.

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.

Only in exceptional circumstances are emergency payments made to schools. Any requests for emergency payments should be addressed to the Schools Financial Services Head of Service, with reasons why the payment is required. The Schools Financial Services Head of Service then makes a decision on the validity of the request.

3. The Corporate Scheme

Interest is earned on credit balances at a rate of 0.25% from September 2017.

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

Schools may go overdrawn in special circumstances. This is possible because all school surplus balances at the end of each working day are added together in a “pooling” arrangement making a credit in the overall pool.

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

Schools in the Corporate Scheme are not required to submit cash flow statements. The Bank inform the LA which schools in the Corporate Scheme are overdrawn. Schools’ reconciliations are also checked to give an indication of cash flow difficulties.
4. Bank stationery

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.

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

Bank Statements should be sent directly to the school by the bank. It is a requirement that schools receive monthly statements, although they can receive statements more frequently if they wish. Schools using online banking have constant access to their statements. 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. As part of the returns required by the LA, Schools Financial Services must receive from the school, twice yearly, 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.

5. Advances

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.

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).

6. Payments from/into the local accounts

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

The school must arrange for at least three signatories to be set up for the purposes of signing cheques. All signatories must be employees of KCC, or in the case of Aided and Foundation schools, staff who have a contract of employment with the Governing Body.

Only one Governor may be an authorised signatory but the appropriate insurance cover must be in place, if the school’s insurance provider is not KCC. In the event of a Governor signing a cheque the KCC employee must be the second signatory for that payment.

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

- Transferring monies into the voluntary or other private fund
- Cashing of personal cheques.

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.

7. Urgent Payments

Schools may hold a petty cash float of, say, £250 (a guide amount) for minor items of expenditure. No one item of expenditure totalling more than £30 should be paid from the float. Should the item be more than the allowed amount a cheque should be produced.

The petty cash float should be reimbursed on a monthly basis from the schools own bank account.
Expenditure from petty cash must have a signed receipt provided by the recipient of the cash. VAT must be accounted for where appropriate and petty cash items should be included in the monthly VAT returns.

Details of transactions must be kept and entered onto pro-forma forms. The petty cash forms must be certified by the Headteacher or designated officer, with original cost receipts attached.

Petty cash transactions should be posted to the accounting system weekly and reconciled at least monthly. 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 should be signed and dated by the reconciler and be countersigned in full.

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.

8. Overdrafts - (corporate scheme only)

Schools may go overdrawn from time to time. One of the reasons for this is to take advantage of attractive discounts being offered by suppliers.

Before going overdrawn a school should undertake a Cost Benefit Analysis to see if the benefit of receiving a discount outweighs the cost of going overdrawn. In many cases it will, because the supplier relies on cashflow so will be offering favourable settlement terms.

One condition of being allowed to go overdrawn is that the school does not exceed 10% of its monthly advance. Permission must be sought from Schools Financial Services should the school wish to go above this amount or the overdraft is longer term or for a reason other than taking advantage of discounts.

All costs associated with being overdrawn must be borne by the individual school.

9. Accounting requirements

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.

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 sign the cheque for payment.

Bank statements should be received/printed at least monthly and reconciled to the accounting system each month using a statement no older than seven days, and any discrepancies resolved. The reconciliation statements should be signed as checked and countersigned by the Headteacher or authorised signatory (if delegated in the School's finance policy).

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.

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

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

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

All schools must submit a VAT return to Schools Financial Services on a monthly basis so bank accounts can be credited or debited.

Cancelled cheques should be put through the schools accounts. Any unpresented cheque of more than six months old should be treated as a cancelled cheque and the bank should be informed.

On 31st March 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.
10. Retention of records

Headteachers have the responsibility to ensure that records are kept for the relevant retention periods. (The retention schedule is on KELSI/School Management/Data and Reporting/Information Management Toolkit - Please note that the ‘Record Retention Schedule for Schools’ is available on page 12 of the Toolkit.)

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 and the account to be charged.

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.

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

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 Director of Finance, Strategic and Corporate Services in his 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.