

32. Devolved (Banking) Facilities (Income & Expenditure)

Introduction

The operation of appropriate bank account arrangements (where school processes all income and (generally but not exclusively) non-pay expenditure through the account) and optimisation of cash flow are vital aspects of good financial management and administration. Money can be vulnerable unless adequately and effectively controlled.

32.1. Roles and Responsibilities

- 1) Each Governing Body is responsible for giving formal consideration and approval to the arrangements within their school for managing, controlling and administering the school local bank account and all related processes and records, and for establishing, maintaining and monitoring these arrangements.
- 2) The Chief Finance Officer (CFO) holds overall statutory responsibility for ensuring the proper administration of the financial affairs of the County Council, including the statutory accounts of the Childrens Services Directorate (including schools' expenditure and income).

32.2. Scope of Devolved Systems

- 1) Prime records (e.g. invoices) will be held in schools and the details of transactions will be recorded first in the school records. The Childrens Services Directorate and CFO will depend upon the school records to supply the data necessary to create the expenditure and income analysis required to compile their accounts.
- 2) Schools accounting system must be accurate, secure and reliable. The Governing Body shall therefore maintain the school accounting system and supporting documentation to meet standards specified by the FBP CEF and as required by these Financial Regulations or otherwise notified through financial instructions and manuals.
- 3) Schools will supply information required by the Childrens Services Directorate and CFO accounting system as required and according to deadlines specified by the FBP CEF and the Director for Childrens Services.
- 4) Failure to comply with Financial Regulations may result in the Childrens Services Directorate withdrawing the local bank account and the

suspension of the delegated budget from the school as provided by the Scheme.

- 5) School's operating local payment facilities must use them for all non-pay transactions covered by their delegated budgets (where funds have been transferred to the school's local bank account).
- 6) All providers of goods and services, which are part of Oxfordshire County Council, will invoice schools in a similar way to external suppliers in accordance with the Scheme. Schools operating local bank accounts will pay these bills by drawing a cheque (or BACS) payable to "Oxfordshire County Council", or may be required to pay such transactions by direct debit.

32.3. Earmarked Funds

- 1) In addition to the delegated budget share, schools may receive "earmarked" allocations. These are given for a specific purpose and can only be spent by the school in accordance with criteria specified by the Childrens Services Directorate and governmental requirements.

32.4. Bank Accounts

- 1) Each Governing Body will be responsible for choosing the bank where it wishes its account to be held, subject to conditions specified in Financial Regulations.
- 2) Governing Bodies are required to obtain the most advantageous banking terms available, commensurate with security of funds, convenience of location and the provision of services required, and should operate an interest bearing cheque account or a cheque account linked to (or used in conjunction with) an interest-bearing account. In negotiating and selecting banking arrangements, Governing Bodies must observe any requirements of Standing Orders for Contracts, and ensure due impartiality and objectivity, and should observe advice and guidance provided.
- 3) The banking arrangements for each school must be the subject of a written agreement between the governors and the bank concerned, which shall clearly specify the services to be provided, the responsibilities of the bank and the Governing Body, the schedule of charges, and the period of the contract. Where required to ensure a satisfactory arrangement, the Governing Body shall seek advice before entering into any such contract.
- 4) The Governing Body shall not borrow money or incur overdrafts and shall plan its finances accordingly. The Governing Body shall inform the FBP

CEF immediately if it becomes apparent that payments exceed and/or are in advance of available funding.

- 5) The FBP CEF on behalf of the school will open the school local bank account after approval by the Governing Body. The Governing Body is responsible for the authorising signatory arrangements.
- 6) Schools must comply with the following requirements:
 - a) it would be preferable for the local bank account title to take one of the following formats:
 - i) “..... School – Local Bank Account”; or
 - ii) “Oxfordshire County CouncilSchool – Local Bank Account”.
 - b) the local bank account must not have overdraft facilities;
 - c) a minimum of two signatories must be included on the bank mandate, which must include the Headteacher, and may include a governor (preferably the Chair of Governors, or Chair of Finance Committee). One or two alternative signatories (either senior staff or governors) should also be designated to act when necessary in the absence of either of the two main signatories;
 - d) the bank mandate must stipulate that payments over £500 must be countersigned (amount may be raised if approval is obtained from the CFO);
 - e) the local bank account must offer the facility of standing orders and direct debits if required;
 - f) the local bank account must not provide access to other facilities such as credit cards, debit ("switch") cards, loans, or personal credit. Schools are precluded from using these facilities. Debit cards may be used in conjunction with a dedicated separate bank account;
 - g) the local bank account must offer full clearing bank facilities for electronic transactions through the BACS system;
 - h) bank statements must be supplied to the school no less frequently than monthly, and the banker should be required to forward a copy of bank statements for any specified period (as and when requested) to the FBP CEF , and/or to the Chief Internal Auditor ;

- i) the bank must be told in writing that the account is the property of Oxfordshire County Council, and that the Chief Internal Auditor and FBP CEF have the right of access to information about all aspects of the account;
 - j) a monthly statement as to the bank balance will be sent to the local authority.
- 7) Where a school is changing its local bank account, to enable the necessary preliminary arrangements to be made it should enter into negotiations with prospective providers of banking services sufficiently in advance of the effective date of commencement, to enable the account to be opened and bank stationery to be produced in readiness for that date. However, no transaction may be paid from the new account until the effective date as specified by the Director for Childrens Services.
- 8) Funds cannot be withdrawn from the school account(s) for investment or deposit other than in accordance with the County Council's policy and the Scheme for Financing Schools. Under no circumstances should any private, personal, or "non-school" transactions be transacted through the school local bank account.
- 9) Bank charges and interest will be charged/credited direct to the school's account by their bankers, and the amounts involved must be entered into the school accounting system.

32.5. Internal Control Arrangements

- 1) Each year the Governing Body should formally consider, approve and minute the arrangements for operating and controlling local payments, and this should be seen within the context of its general arrangements for delegation. An overriding aim must be to ensure strict control and security over the holding and issuing of cheques and withdrawals and use of funds. The Governing Body should also consider whether they should authorise individual payments in excess of a particular value or type.
- 2) In determining the arrangements, Headteachers and governors should have regard to the desirability of separating those responsibilities and duties, which would, if combined, enable one individual to record and process a complete transaction. Functions where adequate separation should be considered include:
 - a) authorising orders;
 - b) checking deliveries;

- c) confirming invoices for payment;
 - d) signing cheques/authorising BAS transfers;
 - e) recording transactions.
- 3) This is advisable to secure adequate and effective internal check over the payment/purchase process as part of the school's internal control systems. Also, controls and documentation could be reviewed and requested by review agencies (e.g. in relation to VAT inspection, audit reviews by Internal Audit Services or the County Council's external auditors).
- 4) Governing Bodies shall ensure that school local bank accounts are reconciled to the balance in hand as recorded in the school accounting system. This should be done at least monthly, and a summary of the reconciliation (supported by listing of un-presented cheques and credits) shall be produced (certified and dated by the person responsible for its preparation and by the Headteacher or such other person as nominated by the Governing Body to review the reconciliation) and retained on file.

32.6. Funding Arrangements

- 1) The CFO will arrange for the transfer of instalments of funding in accordance with the requirements of the Scheme from the County Council Main Account to the individual current account of each school.
- 2) Any centrally held underspending brought forward (when finalised and agreed by the FBP CEF) will be paid into the school local bank account, but only after deduction of any element which is required to balance the school budget for the ensuing financial year. Any overspending brought forward from the preceding financial year will be deducted from the funding transfer otherwise due to the school for the ensuing year.
- 3) The transfer of funding to a school's local bank account will be conditional upon the CFO and FBP CEF receiving from the school the necessary accounting information required by the Children's Services Directorate under the provisions of the Scheme according to the timescale specified. Failure and/or inability to supply this information may result in suspension of transfer payments and possibly the withdrawal of local payment account facilities until the problem is resolved to the satisfaction of the FBP CEF, who is authorised to take appropriate action if this situation arises.
- 4) Each school is required to submit a claim at the end of each month to the FBP CEF to recover the net amount of VAT relating to transactions during that month, having regard to guidance provided by the Taxation Manager and FBP CEF.

- 5) Any amounts of income collected by the school of a type falling outside the delegated budget and due to the County Council, or unidentified payment or receipt into a school account, shall be notified by the school to the Childrens Services Directorate within five working days of the date such items appeared on the school bank account statement.
- 6) The advancing of funding to schools and the payment of brought forward budget balances in hand into the school local bank account, will provide Governing Bodies with the opportunity to earn interest by prudent management of the expenditure pattern and cash flow of the school. To the extent that this will result in a loss of interest to the County Council at central level (income which is used to underpin the Council's existing budget), to avoid a net increase in expenditure overall at a time of increasing financial constraints it will be necessary for the Childrens Services Directorate to deduct the estimated loss of interest (top slice) each year from the resources distributed to those schools operating bank accounts.

32.7. Petty Cash

- 1) The value of cash floats funded from the local bank account will be recorded by each school and the Governing Body will maintain an ongoing record of their value and location. Payments from cash floats shall be recorded in detail and supported by vouchers, receipts and documentation, and summarised and entered in the school accounting system at least monthly (and included in their expenditure summaries).

32.8. Expenditure (Non-pay)

- 1) A system of devolved bank accounts does not reduce the need for an adequate and effective process for the checking, coding, authorising and recording of each payment, and the collection and banking of income. The Governing Body will ensure that appropriate systems and procedures are approved, and observed by all individuals involved, having regard to detailed guidance provided by the FBP CEF.
- 2) A clear trail is required for each paid invoice, claim and prime document through the adequate filing of invoices, claims, timesheets, etc; the payment made; the entry on the bank statement; and the entry in the school accounting system and accounting returns. A similar trail is required for each item of income due and received.
- 3) The Governing Body should establish a recognised cycle for the payment process within the school, so that all concerned are aware of the deadlines involved for each type of payment, and to ensure that items can be paid

without undue delay and according to terms of suppliers (or conditions of service of employees, for pay and expenses).

- 4) Details of transactions should be provided to the Governing Body at regular intervals as part of the ongoing reporting process. This could usefully be integrated with other reporting to governors about expenditure against budget.
- 5) Each invoice must bear the evidence that specified checks have been performed, and that it has been approved for payment, prior to the authorisation and drawing of a cheque. The cheque number issued should also be written on the invoice(s) as a cross-reference, and the invoice should be clearly endorsed "paid" to avoid the possibility of duplicate payment. Adequate information should be sent with each cheque to enable the supplier to identify the invoice(s) to which the payment relates. The cost centre to be charged can also be written on the invoice.
- 6) To satisfy the VAT inspectorate, paid invoices should be filed in a chronological order. Paid invoices should be held securely in a locked cabinet and/or room, as they provide the main evidence by which the Headteacher and governors can demonstrate satisfactory stewardship and probity in relation to payments and the spending of resources. They should not be released from the school office except in the case of an official request by review agencies (e.g. in relation to VAT inspection, audit reviews by Internal Audit Services or the County Councils external auditors), and all such instances should be recorded and logged.
- 7) It is suggested that a weekly payment cycle would be required for payment of invoices, with provision for the occasional "urgent" item when arising (full use of payment terms and conditions should be adhered to). It will be essential that arrangements are adequate to clear any bills due for payment during holiday periods and also to operate securely during absence of key staff. Late payment of energy or telephone bills may result in a cut-off of supplies or service, and Governing Bodies should be aware that they may incur additional costs (e.g. for reconnection) and possible disruption of school activity if this should occur.

32.9. Expenditure (Employees)

- 1) Where responsibility and funding has been delegated to a school in respect of payment of employees, the Governing Body will have the choice of either using the payroll service provided by the CFO or undertaking its own arrangements.
- 2) If the school uses the payroll service provided by the CFO the outflow of funds on each pay date for the gross cost of the payroll, inclusive of

employer NI and Pension contributions, and appropriate administrative service fee will be charged to the school local bank account via a BACS arrangement.

- 3) If the school undertakes its own payroll arrangements, and where the authorities recognise the CFO, the County Council's named officer, as the employer of the School's staff, the school shall reimburse the County Council from its local bank account such amounts due to the Inland Revenue and Pension Schemes in accordance with the timetable agreed with the CFO. In addition to the above amounts an appropriate administrative service fee will need to be paid over. Schools shall be charged any interest charges and financial payments incurred by the County Council as a result of late receipt of funds into the County Council's Main Account.
- 4) If the school undertakes its own payroll arrangements and the school obtains its own employment status with the Inland Revenue, the School shall be responsible for the necessary arrangement with the Inland Revenue.
- 5) It is important that all payments to employees (also including expenses and allowances) and fees to other individuals (for instance) should be routed via the payroll process to ensure that all such amounts are taken into account for tax, NI, etc (an element of mileage allowances is also subject to VAT).
- 6) Those schools processing their own payroll and travel allowance claims shall ensure that timesheets and claim forms are held in batches after processing in a manner which readily enables each document to be related to the entries and charges which appear in the payroll system and the postings which it generates to the school's accounting records.

32.10. Income

- 1) Where school catering is provided through the Childrens Services Directorate bought in service, income relating to school meals must not be paid into the school local bank account (except adult meals), but should be banked to the County Council Main Account, using the pre-printed paying-in books.
- 2) Official income should be paid into the school local bank account intact and on a regular basis. The bank should supply paying-in slips bearing the account title/account number for this purpose. It will be essential to maintain supporting documentation for each item, and to record and analyse income collected and the dates/amounts of related bankings. The income collection record must clearly distinguish between those categories

of income, which fall within and outside the delegated budget. All income collected (for delegated responsibilities) should be included in the periodic returns to the FBP CEF. Income falling within the delegated budget should be entered into the main school expenditure record to provide an ongoing view of net spending against budget.

- 3) Income due to the school (relating to its normal educational activities) must not be routed via any "non-unofficial" school fund account in the first instance, but should be banked direct to the school's official account.
- 4) To satisfy the VAT inspectorate, debtor invoices should comply with VAT requirements. Income that attracts VAT should be clearly marked and posted in the accounts accordingly.

32.11. Accounting System

- 1) Each school may develop its expenditure recording system to meet the needs of its organisation but it must be accurate, reliable, secure and up to date and able to provide the Childrens Services Directorate with information and analyses required. There is no set structure or format within the prescribed accounting system used by schools, although there are clear rules about the information that has to be recorded. A school record should provide:
 - a) a record of "stewardship" and use of public monies;
 - b) an ongoing record of expenditure/income against budget; and
 - c) management information to assist/inform decision making.
- 2) Under an extended system of devolved cheque payments the school expenditure record must (as well as the information already recorded about transactions) hold the following additional details:
 - a) the VAT category of every transaction;
 - b) the VAT element of every transaction;
 - c) construction industry contractor payments and tax;
 - d) a cumulative record of payments/income under each financial accounting code in the current financial year, to the minimum level of detail required by the Childrens Services Directorate;
 - e) the cheque number or BACS reference of each payment;
 - f) the funding ("cash-flow") position of the school;

- g) amounts deducted from payments and due/paid to the County Council and other bodies.
- 3) This will be essential to enable:
 - a) details of school transactions to be provided to the Childrens Services Directorate as required;
 - b) inclusion of school expenditure/income in the Childrens Services Directorate accounting system;
 - c) monitoring and management of spending and cash flow by Headteacher and Governing Body;
 - d) satisfactory accounting for statutory and other deductions;
 - e) adequate evidence for audit.
- 4) For those amounts, which are outstanding at each financial year end, schools will be required to include them as accruals in the final return of expenditure so that the estimated cost of these items can be charged against the old budget year.

32.12. Accounting Returns

- 1) Each school could be required to regularly return to the Childrens Services Directorate a summary of income and expenditure to show the net position for the period. The FBP CEF (after consultation with the CFO) will provide advice on the content of the returns required from schools. The information for such returns must be drawn from the school accounting record.
- 2) The returns submitted by schools will be used to update the Childrens Services Directorate accounting system, and so it is essential that Governing Bodies supply this information accurately and consistently, to meet the timescale required, and in accordance with the Scheme. These returns must be returned to the FBP CEF to arrive no later than a specified date after the end of each accounting period which shall be prescribed (a schedule of due dates for this purpose will be supplied to each school by the FBP CEF).
- 3) The income and expenditure analysis received from each school at the end of each accounting period will be used by the Director for Childrens Services as the basis of an accounting transfer to update the Childrens Services Directorate accounting system by charging the amounts indicated to the expenditure/income codes.

- 4) The Governing Body shall ensure that any other forms or information required in connection with transactions (such as payroll deductions, contractors, taxation and VAT) are completed accurately and submitted on time. Where required on a regular basis, these forms should be submitted with the expenditure return unless required more frequently or schools are notified otherwise.
- 5) The Childrens Services Directorate would wish to secure any advantages offered by the use of computerised local systems and the electronic exchange of data between school and Childrens Services Directorate. The FBP CEF (in consultation with the CFO and the Corporate ICT Unit will prescribe the interface standards and requirements for electronic exchange of financial data that shall be observed by schools.

32.13. Security of Cheques

- 1) Used and unused cheques must be locked away securely, and custody of/access to cheque stocks should be restricted to a named (and formally designated) individual. Cheques supplied by the bank should bear a pre-printed crossing, and rigorous controls are required over cheques drawn as payable to "Cash" or "Bearer" (which should be restricted to small amounts necessary for the replenishment of cash floats).
- 2) A record should be maintained of the serial numbers of every cheque book received into stock and issued. The Governing Body should ensure that cheque stocks are checked regularly by someone not directly responsible for their custody or use.
- 3) Cheques should never be pre-signed as an administrative convenience. When signed, there should be secure mailing arrangements for cheques.
- 4) Governing Bodies should ensure that an effective system is operated within the school to receive, record and hold securely all cheques returned, and to reissue or re-dispatch if appropriate. The reason for their return should be investigated, and the action taken also recorded, and any necessary action should be taken to remedy control weaknesses, which may be indicated.
- 5) Similarly, claims by payees that cheques have been lost, destroyed, not received, or stolen should be recorded and investigated in detail, and a bank "stop" placed on the cheque where necessary.