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5.0 **BANKING ARRANGEMENTS**

5.1 **Introduction**

5.1.1 The BAFS banking arrangements are detailed in Section 14 of the LMS Procedure Rules.

5.2 **Choice of Banker**

5.2.1 There are certain minimum criteria which any financial institution must adhere to when providing banking facilities for schools. These are listed under **Appendix 2**.

5.2.2 An Approved List of those financial institutions which have agreed to meet these criteria is detailed in **Appendix 1**. This list and the criteria have been reviewed from time to time by the Corporate Director – Strategic Resources in conjunction with the Corporate Director – Children & Young People’s Service. In making their selections schools are restricted to the current Approved List but they can make representations to the Corporate Director – Strategic Resources if they wish to use another institution which may be granted approved status if it subsequently meets the minimum criteria.

5.2.3 NYCC has on behalf of schools conducted a review of services offered by banks and is currently recommending Lloyds TSB as the preferred banker. However, within the restrictions described the selection of a banker is a decision for the school’s Governing Body.

5.3 **Opening and Naming Accounts**

5.3.1 Dependent upon the terms offered by particular financial institutions it may be prudent to have either a single or multiple accounts. In naming the account(s) the following principles must be adhered to:-

- (a) It must be styled so as to differentiate it from other school accounts of a private or voluntary nature. Ideally it should start “NYCC -”.
- (b) It must clearly identify the school.
- (c) The names of individuals should not be used.
- (d) Within the above constraints the name should be as short as possible and sensible abbreviations are permissible.

5.3.2 Once a school has selected its institution/accounts from the Approved List it must submit the following details to the Corporate Director – Strategic Resources not less than 25 working days before the first funding instalment is payable to the school by the County Council:-

- Name and Address of Financial Institution (and/or branch if appropriate)
- Title of Account(s)
- Account(s) number plus relevant “sort” code (if multiple accounts to be opened please indicate account to which NYCC payments should be made).
- Names and Titles of proposed cheque signatories - the specific posts must be formally approved by the Schools Governing Body. (Note that for insurance purposes Governors may **not** be signatories on the school accounts).

5.4 **Cheque Signatories**

5.4.1 As stated under 5.3.2 the specific **posts** which are empowered to sign cheques on the school’s behalf must be formally approved by the School’s Governing Body. If the posts so authorised are changed by the Governing Body, the Corporate Director – Strategic Resources must be informed; changes in the personnel occupying the posts need not be notified.

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5.4.2 It is required that all cheques bear two authorised signatures and this should be emphasised to your bankers when the account is opened - they will of course require specimen signatures of all authorised personnel. In order to expedite the working arrangements of cheque signing it is recommended that at least three members of staff should be delegated this responsibility. These would normally be the Head Teacher, the Deputy Head Teacher(s) and the School Business Manager or Secretary. Please see the advice on “separation of duties” set out in Section 8.1.3 of the manual. It is not acceptable for non-employees, for example governors, to be signatories to the bank account.

5.5 Cheque Stationery

5.5.1 It is possible to print cheques using the school’s financial systems and, subject to the agreement of the Internal Audit Service, schools may use this option. In deciding whether or not to use computer produced cheques, schools will no doubt have regard to the number of cheques being produced weekly. Further guidance notes have been prepared by the Internal Audit Service and are enclosed at **Appendix 3**.

5.5.2 Cheques can be ordered directly from the school’s bankers and this avoids potential difficulties in failing to meet specific formatting problems demanded by the Clearing Banks. In addition, the FMS Team can make arrangements for customised cheques to be printed, at a modest cost, by a firm of security printers. Any design or logo requirements are a matter entirely between the school and its bankers but the following must be displayed:-

- All cheques should be pre-printed with the crossing “ACCOUNT PAYEE - NOT NEGOTIABLE”.
- They must also have the full name of the account pre-printed.

5.5.3 An added advantage of obtaining cheque stationery directly from a banker is that it removes the necessity of having to store large quantities of blank cheques on school premises. Once average utilisation becomes known, it is recommended that your banker should be advised of this and a replenishment book ordered/obtained two weeks prior to the estimated expiry of existing stocks.

5.5.4 All unused (blank) cheques should be stored in a secure location (i.e. a safe or strong room) and under no circumstances should they be left unattended whilst being processed.

5.5.5 The School Secretary shall maintain a register of cheque books which details the first and last cheque number, the date the book was obtained from the bank and the date on which the final cheque in the book was issued.

5.5.6 Under no circumstances should cheques be signed in advance by authorised signatories i.e. before the date, payee and amount have been completed.

5.5.7 If mistakes are made in cheque completion and/or it is necessary to cancel a cheque before issue, “CANCELLED” should be written in block capitals across both the cheque and stub, any completed signature should be totally obliterated and the CHEQUE should then be stapled in the book to its accompanying stub.

5.5.8 Presented cheques will not normally be returned by your bankers but this chargeable service can be requested if and when needed.

5.6 Paying In Books

5.6.1 Each School may have its own particular design and it is not envisaged that difficulties should be encountered in the completion of Paying In Books. The only specific requirements are:-

- A counterfoil or stub must be available in booklet form bearing the date, initials of the person banking the money, the total amount banked and the stamp of the receiving bank.

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- Full supporting details of the amount banked must be entered on the SCHOOL'S INCOME RECORD - See Section 11.
- A list of cheques banked should be provided to the bank. This is usually required to be written on the back of the paying-in slip.

5.7 Bank Cards

5.7.1 It is not appropriate for individual members of staff or the school in general to require the use of cash point, cheque credit or debit cards. In these circumstances and bearing in mind the associated security risk, the LMS Scheme does not permit the use of any form of bank card. However, Purchasing Cards issued under the LA's scheme with Company Barclaycard may be used by schools. Details may be obtained from Children & Young People's Service Finance.

5.8 Bank Statements

5.8.1 The volume of transactions passing through individual school accounts will obviously vary considerably and schools may find it expedient to obtain weekly statements from their bankers. It is an essential minimum requirement that statements are obtained at least monthly and that reconciliation of the month end balance is performed with the school's financial system - see Section 18.

5.8.2 Apart from the reconciliation aspect, certain other essential checks should be performed on a regular basis:-

- (a) Under no circumstances should the account overdraw and the use of Bank Statements in conjunction with the associated Financial Records should provide regular monitoring information to ensure that this does not occur. Furthermore the bank should not allow this account to become overdrawn.
- (b) Conversely, if the banking arrangements incorporate a current account paying low or zero interest in conjunction with a higher interest bearing deposit or investment account, the current account balance should be kept to a workable minimum. This will need regular monitoring of account balances and the forward profiling of anticipated income and expenditure. It may prove possible to arrange for this monitoring to be automatically performed by your Bank but if this is not the case headteachers should ensure that the responsibility for monitoring bank balances is allocated to a specific member of staff.
- (c) It may be difficult to accurately verify Bank Charges and Interest Payable but if these appear to contravene the arrangements which were negotiated when the account was set up, and then do not hesitate to raise this with your bankers. Banks do make mistakes. Questioning the bank on their charges and interest calculations may not only detect errors but also identify unfavourable changes in their tariffs.
- (d) Interest should be received "gross" i.e. without deduction of income tax. If it is credited net you should raise the matter with your bankers.

5.8.3 If the bank statement includes entries which are not already entered in the school's accounting records the necessary entries should be made immediately in accordance with the procedures detailed in Section 8 (Payments), Section 11 (Income), Section 18 (Bank Reconciliation) and Section 19 (School Accounting). The entries included on bank statements which require processing may include bank charges, interest, standing orders, direct debits (see below), "bounced cheques" etc.

5.8.4 Internet banking facilities may be used for making transaction and balance enquiries but not for making payments to suppliers unless through a BACS payment facility approved by the Corporate Director – Strategic Resources. Further information can be found at **Appendix 4**.

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5.9 Standing Orders and Direct Debits

- 5.9.1 Standing Orders are arrangements where the school instructs the bank to make payments **of a specified amount**, at a specified time and to a named payee. The school makes the initial instruction and only the school can vary or terminate the order. Schools are permitted to use Standing Orders on their BAFS accounts.
- 5.9.2 Standing Orders are ideal for processing **regular and fixed** payments such as a monthly subscription. There is a consequent saving on cheque preparation and you ensure the payment is not missed. On the other hand you have relinquished control on the timing of the payment. Furthermore any payment which does not arise from the preparation of a cheque complicates the school's accounting arrangements. This is because it is necessary to record the transaction, without the prompt provided by the payment of an invoice/cheque preparation, on the school's financial record. If you delay recording until it appears on the bank statement, the bank reconciliation will be complicated. Furthermore the delayed entry will mean that your previous bank balance projections will have been overstated.
- 5.9.3 Standing Order Instruction Forms, known as mandates, should be obtained from the school's bank and signed according to the same procedures as required for cheques.
- 5.9.4 You will need to remember to update any Standing Orders if, for example, a subscription is changed annually.
- 5.9.5 It is suggested that the School Secretary maintains a diary record of the timing and amount of Standing Orders. This approach will enable the Secretary to update the financial system at the time the Standing Order is due (see Section 8.10). This keeps the financial system up-to-date and avoids the Standing Order complicating the Bank Reconciliation.
- 5.9.6 Direct Debits are arrangements where the school instructs the bank to make payments of **an unspecified amount**, often at an unspecified time, to a named payee. The school makes the initial instruction to the bank but the supplier is then in control. The procedure enables regular payments, **of a varying amount**, to be processed without the preparation of a cheque.
- 5.9.7 Whilst direct debits have the advantages and disadvantages of Standing Orders regarding administrative procedures they also limit the school's negotiating power in matters of dispute and may discourage detailed checks of the "invoice" provided by the supplier.
- 5.9.8 Taking into account the potential risks of direct debit arrangements schools may wish to consult the Corporate Director – Strategic Resources before entering into a direct debit arrangement. The Corporate Director – Strategic Resources will be cautious in approving direct debit arrangements and it is likely that he will recommend their use be restricted to large suppliers where the operation of direct debits is a condition of obtaining advantageous financial terms.

5.10 BACs Payments

- 5.10.1 For schools operating a Lloyds bank account, there is now a facility to make payment by BACs.
- 5.10.2 The full guide to setting up and making payments with RM Finance and Lloydslink Online can be found at Appendix 4.

APPROVED LIST OF FINANCIAL INSTITUTIONS

Barclays Bank

HSBC

Lloyds Banking Group (Lloyds TSB, Bank of Scotland)

Nationwide Building Society

RBS Group (Royal Bank of Scotland, NatWest)

Yorkshire Bank

The Cooperative Bank

The financial institutions listed above are those approved by the County Council for school operated current and deposit accounts as at February 2013.

This list is not the same as the County Council's own more restrictive approved lending list of financial institutions which is used for investment purposes.

Proposals for opening accounts with a Building Society should be cleared by Children and Young People's Service Finance before using this organisation to ensure that the account is a "normal" Building Society investment which places the capital at no risk, bearing in mind the fact that Building Societies may offer "link services" to other elements of the financial services sector.

MINIMUM CRITERIA FOR SCHOOL BANK ACCOUNTS

- a) A Current Account with a cheque book for payment and cash withdrawals.
- b) Facilities for standing orders, direct debits and BACS transfers.
- c) Facilities for withdrawals, provided the account stays in credit, without notice and during normal business hours. The use of cash dispensers will NOT be permitted.
- d) Facilities for direct transfers/via the BACS system between the School's account and the County Council bank account.
- e) As a minimum, statements produced on a monthly basis and at 31 March in each year. Duplicates should be made available to the County Council as required.
- f) The retention of cheques, deposit slips and other banking documents.
- g) The provision of interest on credit balances. Any balance of funds may be transferred from the current account into an "investment" account provided the investment carries no risk to the principal sum involved. Any "investment" account must have 'Approved List' status. Any investments for the purposes of earning interest should NOT be made via any intermediary but involve a direct relationship between the school and its chosen financial institution. Any interest credited to a school's account should be made GROSS rather than net of tax.
- h) A school's current account will NOT be permitted to be overdrawn. There will therefore be a need to operate the account so as to prevent overdrawing and this implies immediate notification to the account Holder and the County Council if such a situation seems likely to occur.
- i) In addition to (h) a school will NOT be permitted to take out loans or negotiate any equivalent borrowing or credit facility other than with the written permission of the Secretary of State.
- j) The school AND the County Council to have unreserved access to the account(s). Any facility for 'online' access to the account may be of interest to schools.
- k) Same day clearance of cash income and any County Council credits paid in the account.
- l) The branch at which the account is operated to be open on all school term days.

INTERNAL AUDIT GUIDANCE NOTE

COMPUTERISED CHEQUE PRINTING IN SCHOOLS

1.0 INTRODUCTION

- 1.1 This note has been prepared by the Internal Audit Service to give guidance to schools intending to print cheques directly from the RM Finance software package.
- 1.2 The primary consideration underpinning this guidance is to safeguard the school and the LA against possible loss due to cheque fraud. Any variations to this guidance should be approved by the Internal Audit Service.

2.0 STATIONERY AND PRINTING ARRANGEMENTS

- 2.1 Cheques should be produced to the APACS3 cheque standard and only security printers approved by the school's bankers should be used. In some cases the bank may arrange the printing of cheques and offer to contribute towards the cost of printing cheques. In all cases draft proofs of cheques should be approved by the school's branch bank manager.
- 2.2 Cheques may be either cut sheet feed or continuous stationery and should incorporate a remittance advice facility. Only Dot Matrix or Desk Jet printers may be used as Laser printers are not considered secure.

3.0 CHEQUE SECURITY

- 3.1 Apart from the working supply of cheques used in the school all supplies of cheques should be held off site by the schools bankers. We suggest that one year's supply of cheques are ordered at a time and that at most four weeks supply should be held at schools.
- 3.2 Cheques held in school should be stored in a safe or strong-room when not in use.
- 3.3 Access to the safe or strong-room should be strictly controlled.
- 3.4 Cheques must not be pre-signed before printing.
- 3.5 All spoilt cheques should be cancelled and retained until the next audit.
- 3.6 A cheque control log (see Annex 1a for suggested format) should be maintained to account for stocks of cheques.
- 3.7 Any discrepancy in cheque numbering such as the identification of missing cheques should be investigated immediately. The bank should be contacted to stop payment on any missing cheques and the Internal Audit Service should be informed.
- 3.8 A half termly cheque stock reconciliation (see Annex 1b for suggested format) should be performed and all such records should be retained until the next audit visit.

4.0 SYSTEM SECURITY

- 4.1 Only the system administrator and one other member of staff should have access to the cheque print option.

CHEQUE STOCK RECONCILIATION

To be completed at the end of each half term. A copy of this document is to be retained until the next Internal Audit visit.

CHEQUE STOCK RECONCILIATION AS AT

Opening stock of cheques as at

From cheque number to cheque number (A)

Add cheques brought into stock

From cheque number to cheque number + (B)

Less cheques used (taken from cheque control log)

From cheque number to cheque number - (C)

Total cheque stock held (i.e. A+B-C) (D)

Cheque held on site (E)

From cheque number to cheque number

Cheque held off site (F)

From cheque number to cheque number

TOTAL (i.e. E + F) Must Equal D

Stock check carried out by:

Date:

Headteacher:

Date:

For Internal Audit use:
 Checked By:
 Date:

BACS PAYMENTS

A STEP BY STEP GUIDE TO SETTING UP AND MAKING PAYMENTS WITH RM FINANCE AND LLOYDSLINK ONLINE

This is a separate document. Please print the latest copy for your file.