



LCC Schools Finance Handbook

Section G:

Accounting
Procedures

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SECTION G1: Financial Systems

G1.1 General

Schools are required to maintain accurate and transparent financial records using an appropriate finance system. For all schools, the finance system in use must support the recording and management of delegated funds provided by Lincolnshire County Council (LCC). These transactions form part of the school's official financial activity and must be recorded in a way that enables them to be incorporated accurately into LCC's overall accounts.

Regardless of the system in place, it must support robust financial management by providing:

- A clear and complete audit trail, allowing all transactions and supporting documents to be easily traced
- The ability to produce timely, accurate management information for school leaders and governors
- Reliable reporting that supports effective budget monitoring, planning, and statutory accountability

This ensures consistency in financial standards across all school settings, enabling both the school and LCC to fulfil their responsibilities for maintaining effective financial management and governance.

G1.2 Other Funds

Schools may also administer funds other than those relating to their delegated budgets. These are commonly known as school funds, which are used for income and expenditure related to activities such as fundraising events, parental donations or other discretionary school activities.

These funds must be accounted for separately from the school's delegated budgets. They are not included within the Council's accounts and therefore must be managed, recorded, and reported in accordance with recognised good practice, ensuring transparency, accountability, and proper stewardship of public and charitable monies.

Schools must maintain clear, accurate and up to date financial records for these funds, supported by appropriate documentation such as receipts, invoices, bank statements, and authorisation records. Regular reconciliation, periodic review by school leadership, and independent audit arrangements should take place to ensure robust financial governance.

Schools may choose to use a spreadsheet based system developed by LCC. The template and user guidance notes are available on Perspective Lite:

LA Documents > Schools Finance Team > School Funds

SECTION G2: Accounting Codes

G2.1 Introduction

A budget can be defined as ‘a representation in financial terms of an organisation’s plans for a given period of time at a given price base’. In practical terms, it is a plan showing how the financial resources made available to the school for the financial year will be used. The budget should form an integral part of the overall management process. It is a key tool for planning and allocating resources and must reflect the governing body’s objectives and strategic priorities for the school. It also provides the basis for ongoing financial control, enabling leaders to monitor, report on, and where necessary modify plans throughout the year.

Each financial transaction should be recorded on the finance system and must be supported by appropriate prime documentation, such as a supplier invoice.

A finance system operates using a defined coding structure, with every transaction allocated to the appropriate accounting codes. This structure ensures the system can identify both the establishment responsible for the transaction and the type of goods or services that have been purchased (expenditure) or provided (income).

Accurate coding of transactions is essential because:

- a) it ensures the accuracy of the school’s accounts.
- b) it ensures the accuracy of the County Council’s published audited financial statements.
- c) it provides reliable information for budget preparation and ongoing budget management, including the ability to prepare accurate in-year forecasts and understand reasons for any potential over- or underspend.
- d) it supports other requirements such as grant claims and correct VAT accounting.
- e) it ensures accuracy in the financial information used when schools benchmark their performance against other schools.
- f) it supports accurate responses to Freedom of Information requests, which carry a statutory obligation.

G2.2 Revenue Coding Structure

Schools use a coding structure within their chosen finance system to record all revenue transactions in a clear and consistent way. Although coding formats may differ slightly between systems, they generally include at least two core elements:

- Cost Centre – identifying the area of responsibility, schools use to distinguish between budget share and various grant funding streams.
- Account Code – identifying the type of income or expenditure

Schools may also use Department Codes to provide additional analysis for income and expenditure.

This structure ensures financial activity is recorded accurately and can be reported and analysed reliably.

G2.3 Cost Centres

Cost centres can be alphanumeric codes used to identify specific organisational units or areas of activity within the school. They allow expenditure and income to be grouped in a meaningful and consistent way.

For schools using LCC's standard coding format, a school cost centre is six characters long. The first character identifies the establishment (e.g., "S" for schools), the next three characters identify the school, and the final two characters indicate the type of funding or specific activity.

Example cost centres might include:

- S***00 Budget Share
- S***AA Pupil Premium
- S***BA PE & Sports Grant
- S***EA Universal Infant Free School Meals

Code structures may vary depending on the finance system used.

G2.4 Department Codes

Department codes can provide an additional level of analysis for a school's income and expenditure. They enable schools to track spending related to specific activities, teams, or operational areas.

Example departments may include:

- M001 Whole School
- C001 Class 1
- M113 Premises Project 1
- S025 Maths

Code structures may vary or may not be used at all depending on the finance system used.

G2.5 Account Codes

Account codes identify the type of income or expenditure being recorded. Accurate coding of all financial transactions to the correct account code is essential because school finance systems feed into a wider, standardised reporting framework.

Each financial transaction recorded by a school forms part of a structured coding hierarchy that underpins consistent financial reporting across all schools. This framework ensures that income and expenditure are captured using a standard format, allowing information to feed into both local and national reporting requirements. Schools' financial data submitted to the Department for Education is used to support benchmarking, enabling comparative reports to be produced for governors, school leaders, and local authorities. When transactions are coded accurately, schools can produce reliable management information, compare spending patterns with similar schools, identify variances, and make well-informed decisions about resource allocation and value for money.

Accurate coding is also essential to ensure every transaction is mapped to the correct CIPFA (Chartered Institute of Public Finance and Accountancy) subjective category. These categories form the basis of LCC's statutory financial statements. Incorrect coding at school level can lead to errors within the financial data that feeds into LCC's published accounts, potentially affecting the accuracy of the Council's financial reporting and compliance with audit requirements.

Consistent, accurate coding therefore plays a vital role not only in school-level financial management but also in safeguarding the integrity of the Council's overall financial reporting. It ensures transparency, supports statutory compliance, and contributes to the quality of financial information relied upon by both local and national stakeholders.

For schools using LCC's standard coding format, an account code is six characters long.

The first character identifies the following:

- A Revenue
- B Balance Sheet
- C Capital
- E Error Suspense
- H Holding Accounts
- R Recharges

The second character for revenue account codes links to the standard subjective groupings identified by CIPFA's recommended standard:

- 1 Employee Related Costs
- 2 Premises Related Costs
- 3 Transport Related Costs
- 4 Supplies & Services
- 5 Third Party Payments
- 6 Transfer Payments

- 7 Support Services
- 8 Depreciation
- 9 Income

Examples of account codes are:

- A10005 Teachers Basic Pay
- A21005 Electricity
- A45020 Telephones
- A93195 Lettings

Code structures may vary depending on the finance system used.

G2.6 Recharge Codes (Schools using LCC’s Finance system only)

Schools using LCC’s finance system, who need to raise a charge to another LCC school or LCC establishment for services or goods provided, must not raise invoices or make payments to other schools, (except for Prime Account schools) or any department of LCC. Instead the charge should be processed on the finance system by a journal against recharge codes.

Both sides of the journal transaction should be coded to an account code prefixed with an R. Below is an example:

Account	Account Description	Cost centre	Dept	Amount	Description
R93000	Recharge - Income	S***00	M001	-500.00	Journal text should include a meaningful description
R44018	Recharge – Service Charge	S***00	M001	500.00	Journal text should include a meaningful description

G2.7 Capital Codes

Capital and revenue transactions must be clearly distinguished within the school’s finance system, even if a single overall coding structure is used. Capital expenditure is subject to different accounting rules and reporting requirements than day-to-day revenue activity, so the codes assigned to each type of transaction must make this distinction explicit. This ensures that capital costs, such as building works, major repairs, and significant equipment purchases, are not incorrectly recorded as routine operational expenditure.

In LCC’s finance system capital transactions use a separate coding structure from revenue. Capital codes normally consist of:

- a project code,
- a work order, and
- a capital account code (prefixed with “C”).

These codes must only be used for genuine capital expenditure and must not be mixed with revenue cost centres or revenue account codes. Keeping the two categories separate ensures accurate financial reporting, supports compliance with accounting standards, provides accurate benchmarking information for schools and prevents errors from flowing into the LCC's statutory accounts.

SECTION G3: Closure of Accounts

G3.1 General

LCC is required to publish annual Statements of Accounts that fairly present its financial position and financial performance for the year, in accordance with proper accounting practices. These accounts are subject to external audit. The auditor provides an opinion on whether the statements give a true and fair view of the Council's income, expenditure, assets and liabilities. The Council's financial year runs from 1 April to 31 March.

Because schools form part of the Local Authority, all expenditure incurred and income received by schools are included in the Council's published accounts. It is therefore essential that schools follow correct accounting processes to support an accurate and timely year-end position.

G3.2 Basic Accounting Concepts

The following key accounting concepts underpin the preparation of the Council's accounts, including school transactions:

Prudence

Income should only be recognised when its receipt is reasonably certain, and provision must be made for all known or foreseeable liabilities.

Matching (Accruals Concept)

Income and expenditure must be recognised in the financial year in which the goods or services are received or provided, not necessarily when cash is paid or received.

Going Concern

Accounts are prepared on the assumption that the school and LCC will continue to operate for the foreseeable future.

Substance Over Form

Transactions must be reflected according to their economic reality rather than simply their legal form.

Consistency

Accounting policies should be applied consistently within a financial year and between years. Any changes must be justifiable and reported to external audit.

Materiality

Strict compliance is not necessary where the amounts involved are not material to the fair presentation of the Council's financial position and transactions.

G3.3 Accruals

Schools must ensure income and expenditure are recorded in the correct financial year in line with the matching principle. Goods or services received during the financial year must be included in that year's accounts, even if payment is made or income received in a different year.

Most transactions naturally fall into the correct financial year; however, adjustments are required where expenditure or income has been recorded but the related goods or services were not received (e.g. prepayments) or where goods or services have been received but no invoice has yet been processed (e.g. accrued expenditure).

To reduce unnecessary administrative effort and applying the principle of materiality, accruals are not required for items below specified values. These values are reviewed annually and communicated to schools each February as part of the year-end guidance issued by the Schools Finance Team.

G3.4 Further Advice and Support

Detailed closure of accounts guidance is provided to schools each financial year. Schools must read and follow this guidance to ensure LCC's accounts are prepared, audited, and published within statutory deadlines.

The annual guidance includes:

- A timetable of key dates and deadlines
- Best practice for coding income and expenditure, regular budget monitoring, and authorising system tasks
- Payroll coding processes
- Year-end arrangements for payments and income (including invoices, purchase orders, procurement cards, sundry (imprest) accounts, posting income, and sales orders/invoices)
- Instructions for journals and recharges
- Sickness Absence Insurance Scheme processes
- Accruals
- Funding
- Contact details for support and advice

This guidance is designed to help schools complete all required year-end tasks accurately and efficiently, ensuring the integrity of the Council's published financial statements.