

School cash – policy and guidelines

Contents

1. Introduction	4
2. Purpose	4
3. Scope	5
4. Policy	5
4.1. Cash guidance	5
4.2. Cash benchmark	5
4.3. Future year reserves	5
4.4. School contributions	6
5. Guidelines	6
5.1. Cash guidance	6
5.1.1. Additional cash workflow – during budget planning round October–February	7
5.1.2. Optional projection scenario – by October in the funding year	7
5.2. Cash benchmark	8
5.3. Future year reserves	9
5.3.1. Process for holding future year reserves	10
5.3.2. Process for modifying a future year reserves plan	10
5.3.3. Process for closing a future year reserves plan	10
5.4. School contributions	10
6. Roles and responsibilities	11
6.1. Principals	11
6.1.1. Cash guidance – must do actions	11
6.1.2. Cash benchmark – must do actions	12
6.1.3. Future year reserves – must do actions	12
6.1.4. School contributions – must do actions	12
6.2. School bodies	13
6.2.1. Cash benchmark – must do actions	13
6.2.2. Future year reserves – must do actions	13
6.3. Business managers	13
6.3.1. Cash guidance – must do actions	13
6.3.2. Cash benchmark – must do actions	13
6.3.3. Future year reserves – must do actions	13
6.3.4. School contributions – must do actions	14
6.4. Chief Financial Officer	14
6.5. Senior Director Education	14
6.6. Budgets Analysis and Reporting	15
6.7. Finance Systems and Innovation	15
6.8. Financial Accounting and Control	15
6.9. School Business Services	15

6.10. School Funding and Resourcing.....	15
7. Definitions.....	15
8. Related legislation, policy, and resources	16
9. Acronyms.....	16

Read this document with the Financial and resource management for schools (FARMS) manual.

1. Introduction

The Department of Education and Training (the department) provides annual funding to Northern Territory (NT) Government schools using the approved School Resourcing Model (SRM) methodology.

Principals receive advice on the school's annual funding allocation at the beginning of Term 4 of the prior year.

Each school determines the funding split to be:

- retained by the school-managed department held (DH) ledger in the Government Accounting System (GAS) and administered via the School Resource Model Management System (SRMMS), or
- transferred as a cash grant to the school body bank account and administered through the school held (SH) ledger in Ci Anywhere.

Historically, the SH and DH ledgers have been referred to as Cash and Credit budgets.

The SRM has three funding components:

1. Student Funding – this component meets the needs of students with various weightings for example year level, Aboriginality and English as an Additional Language or Dialect. This is determined using the Student Needs Based Funding Formula and is used to fund teachers, support staff and program costs.
2. Facility Funding – for the fixed costs of school operations like grounds maintenance, utilities and non-urgent minor repairs.
3. Targeted Funding – to separately fund department-approved programs:
 - driven by educational needs for a large number of schools for which there is currently no weighting within the Student Needs Based Funding Model for those needs
 - for specific programs that are unique to individual schools, provided to a small group of schools or for programs that deliver services to schools.

Schools must manage within available resources to deliver quality education programs that meet the learning and well-being needs of the current cohort of students in the year the resourcing is provided.

An additional per-school allocation, centrally funded direct school costs, is retained and administered by the system on behalf of schools. This covers direct costs such as teacher remoteness allowances, principals' salaries, teacher relocation costs and remote study leave.

2. Purpose

This document provides guidance for a consistent approach to the management of NT Government schools' cash resources, in particular:

- cash guidance for grants paid to the school by the department and held in school bank accounts
- cash benchmark as a risk mitigation buffer based on the previous year's expenditure to protect a school from a cash shortfall and inability to pay their bills and other essential expenditures when they fall due

- school future year reserves which are funds saved for multiple years for significant projects or purchases by schools, with the overall aim of ensuring that resources are spent in a timely manner and optimised to improve student outcomes across the NT
- the school contribution process which allows for schools to transfer funds from their school-held funds (SHF) to their department-held funds (DHF) to realign or balance DHF and to employ people under NTPS employment conditions.

3. Scope

The policy and guidelines in this document apply to all NT Government schools.

4. Policy

4.1. Cash guidance

Schools must use their annual funding in the year that the funding is provided and directed to meet the needs of the current student cohort and improve their outcomes. A portion of their SRM funding can be taken as cash.

The department recommends schools take:

- 10% of their Student funding
- 100% of their Facility funding
- 10% of their Targeted funding
- if approved by the Chief Financial Officer – a higher amount.

4.2. Cash benchmark

The recommended cash benchmark amount is one month of average school expenditure based on the school's previous calendar year of expenditure, excluding any capital and depreciation expenses. This reduces the risk of schools not holding sufficient cash in reserve to meet short term financial obligations.

A school may choose to lower its calculated cash benchmark after considering individual risks, including alternative cash holdings.

4.3. Future year reserves

Schools can budget for larger projects or purchases over multiple years by creating future year reserves.

Future year reserves can only be created or added to after funds have been allocated to meet the operational needs of the school in the current year.

Future year reserves are created for 2 main reasons:

- Students in the current year use resources that will not be replaced until future years. For example, if interactive whiteboards are replaced every 4 years, the funding for this year's students should pay 25% of the cost of the whiteboards in 4 years' time.
- Purchases are larger than can be budgeted for in one year's funding. For example, if the school wants to create flexible educational environments to engage students in their learning.

Future year reserves funds can only be committed for a period up to 4 years. There are some situations, where an extension beyond 4 years may be required such as an asset that is not required to be replaced for a longer period of time. The future year reserve timeline may be extended via an approval process.

Future year reserves require a process to establish, modify and close. Go to the guidelines at 5.3 Future year reserves for more information.

4.4. School contributions

Schools can transfer funds from their SHF bank account to their DHF through school contributions.

5. Guidelines

5.1. Cash guidance

Principals are accountable for planning and managing their school's activities within available resources for their current students. Principals should spend their funding for current students, in line with the school's strategic and operational plans.

Schools are recommended to take:

- 10% of their Student funding
- 100% of their Facility funding
- 10% of their Targeted funding
- if approved by the Chief Financial Officer – a higher amount.

Schools develop a budget for their workforce, operational costs, and cash payments through the submission of annual planning scenarios through the School Resourcing Model Management System (SRMMS) by the end of November in preparation for the following year.

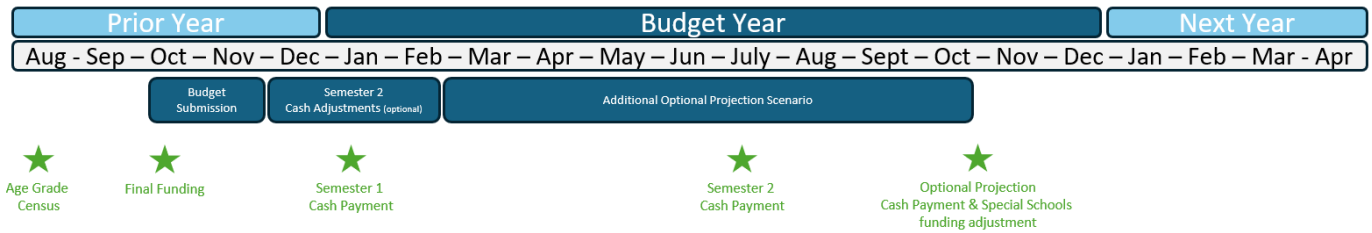
Requests for cash grant payments can be made for Semester 1 and Semester 2 against the following SRM funding components– student, facility and targeted based on the school's budget planning.

If necessary, an adjustment to the cash payment for Semester 2 can be made by the end of February. Modification to the Semester 2 grant can support the SH Budget development and recognition of staffing requirement changes identified at the start of the school year. If cash adjustments are above the recommended thresholds, comments on the revised cash requirement must be included in SRMMS.

During the year, schools may also lodge an optional projection scenario for an additional cash payment. Schools must have any optional projection scenario lodged and approved by the end of October.

Optional projections are typically made after the Semester 2 payment to fund same year strategies or projects with DH underspends. They must be tied to a purpose and spent in the current financial year.

SRMMS Budget Cycle



Go to 5.1.1 for the Additional cash workflow process, when requesting additional cash above the recommended thresholds during the budget planning round.

Go to 5.1.2 for the Optional projection scenario, when requesting additional cash above the recommended thresholds using an optional projection.

Any additional cash above the annual recommended thresholds must be spent within the current calendar year and aligned to key strategic priorities.

5.1.1. Additional cash workflow – during budget planning round October–February

- Principal and business manager review resource requirements for the school and identify cash needs.
- Incorporate the amount required across Semester 1 and Semester 2 in the SRMMS.
- Advice sought from School Business Services (SBS–Finance) as required.
- Principal enters a narrative into the SRMMS notes tab, including confirmation that funds will be utilised in the current calendar year and that the funds align with school priorities.
- SBS–Finance reviews submissions and seeks endorsement from Senior Director of Education (SDE) for the additional cash.
- Semester 1 cash grant amount paid into the school bank account.
- Optional cash adjustment to the Semester 2 cash grant amount can be made until the end of February in the funding year.

5.1.2. Optional projection scenario – by October in the funding year

- Principal and business manager identify a need for additional cash and submit an optional projection scenario in the SRMMS.
- Principal and business manager discuss additional cash requirements with SBS–Finance and SDE.
- The SDE approves for school to progress with formal submission for the cash
 - If SDE does not approve, optional projection scenario is returned to the school.
- SBS–Finance provides a memo template for school principal to use.
- Principal completes and forwards to SDE and Chief Financial Officer (CFO).
- The CFO approves or not approves the request.
- SBS–Finance notifies principal of the outcome and if approved submits the optional projection scenario for payment.

- Funds are paid to the school bank account.

5.2. Cash benchmark

The cash benchmark is a calculation to determine the amount of cash that must remain uncommitted.

A school's current cash position is their cash assets minus total liabilities including unacquitted grants.

To assess their cash benchmark level, the school should first remove all the funding committed to future year reserves projects. The remaining net available cash should fall within the school's operational cash benchmark range. The operational cash benchmark is calculated as the average of one month of the school's previous 12-month operational expenditure, excluding any capital, depreciation or amortisation expenses.

Please note that in the cash commitment summary completed at the end of the year, the school's audited calendar year operational expenditure is used for this calculation. This calculation is also undertaken in Ci Anywhere and populated into your current year school budget module.

If a cash benchmark adjustment has been made in the cash commitment summary, this same adjustment must be made in the school budget module within Ci Anywhere.

If a school wishes to subsequently reduce their calculated cash benchmark after having completed the cash commitment summary, these adjustments must be approved and minuted by the school body or SDE for management council schools. These minutes must specify the dollar amount of the adjusted cash benchmark, be signed by the school body chairperson or SDE, and submitted to SBS–Finance via the generic email – school.finance@education.nt.gov.au.

In considering a reduction of the cash benchmark, it is recommended that schools consider their risk of encountering a cash shortfall and inability to pay their bills when they fall due and other essential expenditure such as wages.

Where a school continues to hold a high level of cash in school bank accounts, the department will work with the school to ensure resources are allocated according to student need.

Procedures on how to reduce the cash benchmark and complete the cash commitment summary are available in the School Finance Knowledge Base.

Risk considerations for cash benchmark reduction:

Risk	Consideration
Review of income sources and timing	Some schools utilise external grant funding to operate programs within their schools. In these situations, schools may need to retain a benchmark or minimum cash balance to cover grant expenses whilst waiting for the next instalment of funding.
Alternative commitments available to support cash flow timing	To support cash flow timing, schools can utilise other funds held to support with cash flow in instances where the school might be waiting on their second instalment of funding. An example of this are reserve funds held for use in outer years. If schools hold reserves above the calculated cash benchmark, a

Risk	Consideration
	school may choose to lower their benchmark or have no benchmark.
Understanding current cash flow timing	<p>NT Government schools can determine the timing of cash transferred from their SRM budget to the school body bank account.</p> <p>On review of cash flow patterns from prior years, you will be able to determine if a benchmark had been relied on in the past.</p>

5.3. Future year reserves

Schools are to ensure that their total available resources are used effectively to improve outcomes for NT Government school students.

As part of the annual school-held (SH) budget preparation process, school leaders may allocate some of the school's current cash to future year reserves to fund an anticipated future year expense.

The cash allocated to future year reserves must be aligned to the school's Explicit Improvement Agenda (EIA) and incorporated into the Annual School Improvement Plan (ASIP).

Future year reserves must be tied to a specific purpose and categorised into one of the following:

- Buildings
- Equipment
- Furniture
- Grounds and playgrounds.

Future year reserves are committed via a prior-year surplus journal each January.

The prior-year surplus journal ensures that the closing balance of the future year reserve job matches the opening balance of the future year reserve job in the following year.

Additional funds can be added to a future year reserve job, and new future year reserves can be created during the year.

The amount held in future year reserves must be time-limited and spent within a maximum of 4 years. The time in which the future year reserves are to be spent must be clearly documented, and the school must retain the records. Expenditure cannot be made directly against a future year reserve jobs and the job must not be overstated to manipulate the amount of uncommitted cash held.

If a school holds funds in future year reserves that will not be spent on their intended purpose before reaching the 4-year limit, SBS–Finance will work with the school and SDE to negotiate an agreed expenditure plan that aligns with strategic and student needs relevant to the school's context. If future year reserves remain unspent, these funds will change from being committed to uncommitted and will be subject to reprioritisation under the School Resourcing Fund policy and guidelines.

Procedures on managing, holding, modifying, expending and closing future year reserve job accounts are in the School Finance Knowledge Base.

5.3.1. Process for holding future year reserves

1. Principals must discuss an initial request with their SDE.
2. After the SDE's in-principle endorsement, the school body must approve the future year reserves project, including the current year's commitment, estimated total value, and implementation timeline. The school body minutes must include these details and approval.
3. The school's action officer creates a future year reserve job by submitting a new job code maintenance request form in Ci Anywhere for SDE endorsement. The job must follow a prescribed naming convention and include information identifying the purpose of the future year reserves, category, estimated total value, and timeframe for expenditure. The submission in Ci Anywhere must also include an attached copy of the approved minutes from when the school body approved the submission.
4. The SDE must review and endorse the school's future year reserve job creation request.
5. After SDE endorsement, School Finance to create the future year reserve job in Ci Anywhere for the school's use.
6. The school's action officer will receive a notification once this has been actioned and must complete the journal for the current year's commitment to the new future year's reserve job.

5.3.2. Process for modifying a future year reserves plan

1. The SDE and school body must be consulted if funds need to be removed or reprioritised from an existing future year reserve.
2. Reducing funds may impact the total savings goal amount or timeline.
3. Changes must be included in the school body minutes before the action officer removes funds from the future year reserve job.
4. A school can contribute additional funds to the future year reserve, noting that this might accelerate the timeline for project delivery or require fewer funds to be added the following year. A school should only contribute additional funds after the needs of the current year's student cohort have been met.

5.3.3. Process for closing a future year reserves plan

1. Once a future year reserve project has been met, a review of the project should be shared with the school body.
2. Any unspent funds in the future year reserves job should, with the school body approval, be transferred into another budget line to be spent in the current year.
3. Once the future year reserve job has a \$0 balance, the school's action officer must complete the job code maintenance request form in Ci Anywhere to disable the job so it can no longer be used.

5.4. School contributions

School contributions are the mechanism by which funds are moved from the SH ledger to the DH ledger.

School contributions can do one of 3 things:

- Balance the DHF budget if more expenditure has occurred than initially planned.

- Recruit employees under NTPS employment conditions, including where the funds to pay the employees were received in SHF, for example, from a third-party grant.
- Provide funds for capital and minor new works projects that Department Logistics and Infrastructure will project manage delivery.

Requests for a school contribution can be made in the semester to which the contribution relates.

If a contribution for the entire calendar year is required, 2 applications must be made, one for Semester 1 and the second for Semester 2 for the applicable budget year. A school contribution must be made before any expenditure is charged to the contribution cost centre.

- Semester 1 contributions can be made between January and April.
- Semester 2 contributions can be made between July and November.

Schools that have identified a school contribution cost centre overspend as part of monitoring their end-of-month reports are to make an additional school contribution to ensure the DH budget remains balanced.

This additional school contribution must be made by:

- the end of April if during Semester 1
- the end of November if during Semester 2.

At the end of the school budget year any unused balances or overspends in the school contribution cost centres will be considered with all other school cost centres. The net surplus or deficit will be carried into the following year.

6. Roles and responsibilities

All department employees must ensure compliance with the relevant requirements of the *Education Act 2015*, *Education Regulations 2015*, and Commonwealth Government and NT Government department policy and procedures.

6.1. Principals

6.1.1. Cash guidance – must do actions

- During SRM budget planning, October – November:
 - review resource requirements for the school and identify cash needs
 - incorporate the amount required across Semester 1 and Semester 2 in SRMMS
 - seek advice from SBS–Finance as required.
- Enter narrative into the SRMMS to support all cash requests above the recommended limits, including confirmation that the funds will be utilised in the current calendar year.
- Submit the SRM planner by the end of November.
- Optionally complete a Semester 2 cash adjustment in the funding year by the end of February.
- In Semester 2:
 - if a need for additional cash is identified, submit an optional projection scenario in SRMMS

- discuss additional cash requirements with SBS–Finance and SDE
- complete the memo template received from SBS–Finance and forward it to the CFO for approval.

6.1.2. Cash benchmark – must do actions

- Budget and use uncommitted funds above the default or adjusted cash benchmark to support the school's strategic and operational goals.
- Seek support from SBS–Finance immediately if the school bank balance falls below the cash benchmark.
- Seek school body approval for any adjustments to the cash benchmark.

6.1.3. Future year reserves – must do actions

- Identify resources used in the year that are due for replacement that, due to cost, cannot be replaced efficiently until future years. If the amount is material, create a future-year reserve job. For example, items on replacement schedules or planned for future years.
- Identify large expenses that cannot be budgeted for in a single year. Create a future year reserve job to accumulate the required funds over more than one budget year so funds are available when required.
- Make sure all future year reserve jobs are:
 - tied to a specific purpose in line with the schools' EIA, ASIP or operational needs
 - costed using the best available information
 - documented with records kept of the purpose, time limit, calculation, school body endorsement and Department of Logistics and Infrastructure reference numbers for proposed infrastructure projects
 - carried over to future years intact and transferred to an appropriate job category the year they will be spent.
- Work with SBS–Finance and the SDE to negotiate an agreed expenditure plan that aligns with strategic and student needs if funds need to be removed or reprioritised from an existing future year reserve, for example:
 - it has changes to planned timing or monetary requirements
 - it is cancelled
 - it needs to be rolled over beyond 4 years.
- Do not overstate a future year reserve job to manipulate the amount of uncommitted cash held.

6.1.4. School contributions – must do actions

- Ensure school budgets are managed in line with FARMS.
- Include school contributions in the SH budget.
- Ensure contribution is made before costs are charged to a school contribution cost centre.
- Include the value of the school contribution in the anticipated variations section of your annual budget planning or projection scenario in the SRMMS until the contribution is paid and recorded.

- Approve school contribution payments for Semester 1 by the end of Term 1, Week 4, and for Semester 2 by the end of Term 3, Week 4.
- Approve contribution applications for each semester within the SRMMS. If contributions are required for the full calendar year, submit separate applications for each semester. Ensure school contributions are monitored each month in Ci Anywhere.

6.2. School bodies

6.2.1. Cash benchmark – must do actions

- Provide strategic oversight in the development of the SH budget.
- Budget to keep the cash benchmark funds uncommitted.
- Budget to spend all funds above the cash benchmark according to the school's operational needs and student needs profile.
- Approve a motion for an adjusted cash benchmark if needed.

6.2.2. Future year reserves – must do actions

- Approve a motion to create a new future year reserve job, modifications to a future year reserve plan and future year reserve job closures, including capital works – major and minor from SHF. All motions must be captured in the school body minutes.
- Approve individual future year reserves by a motion passed at a meeting after confirming in-principle approval by the SDE and assessing whether the purpose of the funds meets the school's strategic and operational needs, how the reserve funds were costed, and when the funds are planned to be spent.
- Monitor any funds saved for future year reserve projects to confirm they will be spent as planned.

6.3. Business managers

6.3.1. Cash guidance – must do actions

- During SRM budget planning:
 - review resource requirements for the school and identify cash needs
 - incorporate the amount required across Semester 1 and Semester 2 in SRMMS
 - seek advice from SBS-Finance as required.

6.3.2. Cash benchmark – must do actions

- Provide strategic financial advice to the principal regarding the SHF budget including cash benchmark calculations and future year reserves.
- Support the principal to prepare and manage the SHF budget.

6.3.3. Future year reserves – must do actions

- Request creation, maintenance and closure of future year reserve jobs in Ci Anywhere as directed by the principal.

- Monitor, review and report to the principal and school body on the status of future year reserves.
- Action requests from the principal and school body to move cash within school finance systems.

6.3.4. School contributions – must do actions

- Support inclusion of school contributions in the SH budget.
- Support inclusion of the value of the school contribution in the anticipated variation section of the school's annual budget planning or projection scenario in the SRMMS until the contribution is paid and recorded.
- Submit separate applications in the SRMMS for each semester if contributions are required for the full calendar year.
- Prepare school contribution payments for each semester following receipt of an invoice from the department.
- For contributions from grants with performance obligations:
 - record an accounts payable recipient created tax invoice (RCTI) for the contribution value against an unused school contribution asset account with the default Ci Anywhere job code, using a unique supplier for school contributions, such as Department of Education and Training school contribution
 - record monthly journals to reconcile Ci Anywhere to the monthly expenditure against the contribution in the DHF.
- Record a journal in period 12 or 13 to reflect any surplus or deficit remaining in the DHF contribution.

6.4. Chief Financial Officer

The CFO must:

- ensure appropriate and useful department-system-wide policy, guidelines, systems, support resources, and training for schools are in place to help them meet their accountabilities under this document
- approve cash grant payments higher than cash guidance recommendations
- approve optional projection scenario cash grants
- maintain oversight of cash positions and the future year reserves held by schools.

6.5. Senior Director Education

An SDE must:

- coach and mentor school principals to ensure action plans regarding ongoing effective and efficient resource management are achieved
- endorse submissions for additional cash made by schools during budget planning
- provide in-principle approval for initial future year reserve requests from principals
- review, confirm school body approval, and approve in Ci Anywhere requests for schools to hold future-year reserves.

6.6. Budgets Analysis and Reporting

The Budgets Analysis and Reporting team must:

- accurately process new school DH cost centre requests
- accurately load budgets against new DH cost centres
- accurately process any required school contributions journals.

6.7. Finance Systems and Innovation

The Finance Systems and Innovation team must:

- ensure this document and other finance-related policies, procedures, guidelines, and support documents are regularly reviewed and updated to meet schools' needs
- ensure Ci Anywhere is current and supports schools' activities relating to cash.

6.8. Financial Accounting and Control

The Financial Accounting and Control team must:

- accurately generate invoices for schools.

6.9. School Business Services

The SBS–Finance team must:

- provide expert advice and leadership to lift the capabilities of school leaders to service the financial, governance and operational needs of schools
- provide expert advice and guidance on the management of cash resources, including school contributions and future year reserves
- monitor future year reserves held by schools and provide targeted support as required to ensure funds are spent within the timeframes identified
- identify any schools at risk of not meeting the responsibilities outlined in this document.

6.10. School Funding and Resourcing

The School Funding and Resourcing team must:

- accurately load new cost centres and related budgets into the SRMMS
- ensure the school contributions form is up to date, including correctly reflecting associated employee costs, and meets schools' needs for the school contributions process.

7. Definitions

School Finance refers to the combined corporate support schools receive from the department's Financial Services branch's School Business Services and Finance Systems and Innovation teams.

Go to FARMS – definitions list for related definitions.

8. Related legislation, policy, and resources

- Education Act 2015 - <https://legislation.nt.gov.au/en/Legislation/EDUCATION-ACT-2015>
- Education Regulations - <https://legislation.nt.gov.au/Legislation/EDUCATION-REGULATIONS-2015>
- Accounting treatment of grants paid to schools guidelines and procedures - <https://elearn.ntschoools.net/policies/5571>
- Financial and resource management for schools (FARMS) manual – including Definitions and Acronym lists – <https://education.nt.gov.au/policies/resource-management/farms-financial-and-resource-management-for-schools>
- School Resourcing Fund policy and guidelines – <https://elearn.ntschoools.net/policies/6427#resources28975>

9. Acronyms

Go to FARMS – acronym list for related acronyms.

Document title	School cash – policy and guidelines
Contact details	Agency Services, Financial Services – Finance Systems and Innovation – school.finance@education.nt.gov.au
Approved by	Chief Financial Officer
Date approved	9 October 2024
TRM number	50:F24:20985

Version	Date	Author	Changes made
1	October 2024	Financial Services – Finance Systems and Innovation	First version. Consolidated and updated policy, guidelines, and information relating to cash guidance, cash benchmark, future year reserves and school contributions to strengthen policy positions and align to annual funding
2	December 2024	Financial Services – Finance Systems and Innovation	Minor edits