

10.1-8 Unofficial Funds

10.1 Introduction

Unofficial Funds, also known as Voluntary Funds, are resources available to the school from non-public means and which are held in a separate bank account from the school's official accounts (delegated budget).

10.2 Responsibility for Unofficial Funds

Governing Bodies, Headteachers and school staff have responsibility for ensuring that their unofficial funds conform to the following -

- London Borough of Barnet, Scheme for Financing Schools
 - [School funding and finance Information - Working with children in Barnet](#)
- DfE Consistent Financial Reporting (CFR) requirements
 - [DfE CFR Web Pages](#)
- Audit Commission Keeping Your Balance checklist
 - [Audit Commission - Keeping Your Balance Questionnaire](#)
- Other legal requirements as applicable e.g. Charitable registration, VAT registration
 - [Charity Commission](#)
 - [HM Revenue & Customs](#)

10.3 The Nature of Unofficial Funds

Given the broadening of schools activities in recent years to include extended school activities and acknowledgement that school trips and journeys are "closely related" to the supply of education, there are very few items complimentary to the purpose of the school that cannot be included in the school's official accounts.

An unofficial fund may be described as a fund at the disposal of the Headteacher for matters complimentary to the purposes of the school but not appropriate to be included in the official funds. Subject to the terms of reference of the fund such matters may include -

- Collection & payments to charities
- For VA schools payments for events, materials of a religious nature outside the national curriculum
- Donations from parents/pupils e.g. non uniform days for school fund
- Minor gifts/presentations to staff or governors, e.g. flowers for a sick colleague
- Collections from staff re presents to leavers
- refreshments at a "leaving do" for staff or governors

The following items should be included in the official school accounts

- school journeys of an educational nature (residential)
- school trips of an educational nature (non residential)
- breakfast clubs
- after school clubs
- lettings
- music tuition
- school locker income

- refreshments at staff or governor meetings

Collection and payments to charities may be included in the official funds accounts (Income I13 and Payment E24)

There is an important distinction between Funds that are under the control of the Governing Body and those that are not. The requirements of the Scheme for Financing Schools relate to the school's unofficial funds but not VA and Foundation schools' Governors acting as Trustees in respect of their land and property or funds of an autonomous PTA or Friends of the school Association.

10.4 Reporting Requirements

Barnet Scheme for Financing Schools

With regard to responsibility for unofficial Funds the Scheme for Financing Schools (para 2.13) states -

"The Governing Body is responsible for all voluntary and private funds held by the school and the accounts of any trading organisations controlled by the school. Its permission is required before any unofficial fund is started. The Governing Body may delegate responsibility for a fund to the Headteacher or other employee and spending from the fund may then be at his/her discretion.

The Governing Body must monitor the activities of all unofficial funds to ensure they comply; where appropriate, with HM Customs and Excise, Inland Revenue and Charity Commissioners requirements.

The Governing Body must appoint auditors, whose fee must be charged to the unofficial fund. Where a fund's turnover (or the turnover of all the school's unofficial funds) exceeds £10,000 any auditor must be a qualified accountant."

With regard to reporting requirements the Scheme states –

"Within six months of the end of the fund's accounting year the Governing Body must receive the audited accounts of all unofficial funds together with a report from the responsible employee. Further an Unofficial Fund Account – Auditors Statement (in a form determined by the Chief Finance Officer) or a certified copy of the audited accounts must be submitted to the Chief Finance Officer, who may report to the Governing Body if he/she thinks it fit."

The 'Unofficial Fund Account - Auditors Statement' form (as set out at **Appendix 1**) or a certified copy of the audited accounts must be submitted to the Chief Finance Officer care of: -

Schools Accountancy Section
Building 4, North London Business Park
Oakleigh Road South, London N11 1NP

CFR Reporting Requirements

DfE's Consistent Financial Reporting (CFR) requirements are that the CFR report should capture schools' donations or voluntary funds within the CFR framework only as it is used for school related expenditure.

It is not necessary for schools to report all their voluntary fund income & expenditure to the LA to include in the CFR return but to ensure that “school related expenditure” is put through the school’s official accounts (and thus included in CFR).

Schools then have a choice as to whether or not they put school related income and expenditure through their unofficial funds in the first place or directly into the official funds.

What constitutes “school related expenditure”? Items that are commonly put through Unofficial Funds and relate to the CFR framework include the following –

School trips & journeys, music tuition fees, swimming, purchase and sale of book bags, uniforms, equipment to pupils.

As the LA compiles a CFR Return to the government based on the information provided by schools on their Posting Summaries, there are two ways in which schools can adhere to this requirement : -

1. Transact purchases financed by the Fund through the Official Accounts. i.e. money collected from parents etc. is paid into the Fund and when payment of the invoice is made from the Budget Share Account (and charged to the relevant CFR code) the matching income from the Fund is paid into the Budget Share Account (coded to I12 Contribution to visits etc or I13 Donations/ Voluntary Funds).

2. For those items that relate to the Official Accounts put all related transactions directly to the Official Accounts: - **for** example, income and expenditure for school trips, music fees, swimming, book bags, uniforms etc., can be directly put through the school’s Budget Share Account as all these transactions can be attributed to CFR headings. [Schools can create lower level “Budget accounts” on their accounting package feeding into these headings, allowing detailed analysis of each specific activity e.g. income and expenditure of a particular trip or residential course].

10.5 Other Legal Requirements

Value Added Tax

Whether a school need to register their unofficial fund for Vat depends on a number of factors but it is incumbent upon the school to ensure legal requirements are met.

The following is only general advice –

- generally donations which are given freely and secure nothing in return for the donor are considered as outside the scope of UK VAT Public Notice 701/41 section 2.2 refers.
- for VAT purposes school trips and field trips are considered as “closely related” to the schools exempt supply of education subject to the conditions set out in Public Notice 701/30 Educational and Vocational training section 8.4 and 8.5.
- schools may need to register with Her Majesty’s Revenues & Customs if the turnover of the Fund is above £75,000. The school must contact the HMRC National Helpline on 0845 010 9000 in order to establish if the Fund has to be

registered for VAT (this may depend on whether or not the Fund is registered as a Charity)

Registration of Charitable Funds

In most circumstance schools do not need to register their unofficial funds when used as described in this guide. If a school wished to use it unofficial fund for any other purpose e.g. receipt of gift aid or significant fund raising it should check with the charity commission if there is any requirement to register or benefit from registration as a charity.

10.6 Good Practice and Format of Accounts

The Governing Body should set clear Terms of Reference which state the purpose of the Fund and approve written guidance to those to whom the day to day operation of the Fund is delegated. This person should be able to account for all the income and expenditure pertaining to the Fund.

The school's Financial Policy and Procedures Manual should include -

- The purpose/terms of reference of the fund
- The name of the individual responsible for operating the fund
- The basis of accounting and reporting used
- Name & address of the Bank/Building Society with which the Fund is held
- Administrative procedures

The Fund should be maintained to the same standard to which the official accounts are maintained. A manual ledger or computerised accounting record should be kept by a nominated individual, who should periodically reconcile these to the Fund's bank account. This may be quarterly or termly during a period of low activity but should be monthly when large sums are banked.

The format of the accounts should enable ease of identification of relating income to expenditure for a specific purpose, e.g. collections for a charity appeal and payment to the charity; school journey voluntary contributions and total payments for transport, admission, accommodation etc for that journey.

To safeguard the assets of the Governing Body and to prevent the opportunity of fraud it is recommended that schools adopt the following internal controls over their Voluntary Funds: -

Income

- Issue pre-numbered receipts and retain a copy or stub with details
- Ensure supporting documentation records who has paid what and for what
- Use numbered bank paying in slips and reference these to the supporting documentation and ledger record
- That the person who receives money for the Voluntary Fund is different to the person who records the income in the Voluntary Fund accounts
- Cash and cheque receipts are held securely and banked frequently

Expenditure

- Ensure all transactions have supporting documentation e.g. receipts, orders, to substantiate the purchase
- All cheque payments to require two signatories

The Voluntary Fund accounts and bank reconciliation should be checked and signed by someone other than the person who prepared it.

The Fund should not be used to make payments to individuals for work done. Such payments should be made from the Official Accounts via the school's payroll provider to ensure appropriate calculation and application of Tax, National Insurance and Pension Contributions, if applicable.

10.7 Management of Unofficial Funds

Given the potential complexities and work associated with Voluntary Funds, Headteachers and Governors are asked to consider carefully whether or not to maintain a Voluntary Fund and if so for what purpose(s).

There are some areas of expenditure that may currently go through Voluntary Funds which cannot be put through the Official Accounts. These would be areas that cannot reasonably be deemed to be of an educational nature, such as gifts to staff or governors, refreshments at a "leaving do". Governors must ensure all such payments are within the Funds terms of reference and compatible with the intentions of any donor, contributors or fundraisers.

Some purchases relating to staff that are not "for the purposes of the school" can be made independently of the Official Accounts or any Voluntary Fund. For example collections from staff for purchases of gifts or tea/coffee/refreshments for staff can be organised by staff as a group not via a Fund controlled by the Governing Body.

Closing the Voluntary Fund account would save the school having to appoint (and pay) for audit examination of the Fund's Accounts and having to report his or her findings to the LA. Administration of Voluntary Funds is a common area of weakness identified in Internal Audit Reports, so closure of the Fund and re-direction of its transactions to the Official Accounts would eliminate this.

If governors decide to retain a Voluntary fund they should annually review its operation and its balance in relation to its purpose.

10.8 Conclusion

Schools must ensure any Unofficial Fund maintained meets the requirements of the Scheme for Financing Schools and relevant legislation. Schools should evaluate the purpose(s) for which it maintains an Unofficial Fund and determine whether such a fund is needed in the light of the extended scope of official funds and requirements such as CFR reporting and other responsibilities.