

11.2 Accounting for Grant Funded Activities

Introduction

This section of The Financial Guide provides guidance for schools on the rules relating to grant funding received from a variety of sources (excluding Pupil Premium and Devolved Formula Capital (DFC)) for special projects in schools. For example British Council (Comenius Projects), School Sports Grants, Grants for Energy Conservation Projects etc

Responsibility to ensure the correct accounting principles are applied in schools is with the Governing Body and is usually delegated to the Head Teacher.

Basic Principles

- Grants received are to be treated in the same way as other funding received into the school's official funds i.e. all the paper work must be kept for a clear audit trail, it must be banked complete and it must be easily identified within the accounts.
- The associated expenditure must also be dealt with using the same rules/regulations as any other school expenditure, VAT invoices and/or receipts must be obtained whenever possible to substantiate & validate any purchases in connection with the project and to enable any VAT to be reclaimed. If the Headteacher requires reimbursement for any expenses then these reimbursements must be authorised by the Chair of Governors.
- Although some bodies which issue grants do not require proof of expenditure as a matter of course they do carry out ad hoc audits. They will visit schools (chosen at random) to check that accounting records are correct and supporting documentation is complete. LBB internal audit may also wish to look at the income & expenditure associated with any grant funded projects and would expect all of the usual accounting rules to be applied.

Coding of Income and Expenditure

The CFR accounting codes to be used are:

Income;

- I06 If it is a government grant (excluding Pupil Premium and DFC)
- I07 If it is a grant from any source other than a government department.
- CI03 If it is a grant for a capital project e.g. Wind Turbine or Solar Panel projects

Expenditure;

This would depend on the type of expenditure some examples are;

- E08 for travel expenses.
- E09 for staff training costs
- E19 for learning resources
- E20 for ICT equipment.
- E26 for supply costs
- CE02 for capital building projects
- CE03 for capital equipment projects.

If payments are being made from one 'host school' to another school then CFR code E24 should be used.

It would be advisable to establish a set of sub accounts within the school's accounting records in order to easily identify the income and expenditure relating to specific projects.

At year end schools should establish if any of the grant funding received actually relates to the following financial year some examples are;

Example

Comenius Funding is for two years with 80% given in year one, therefore a calculation to establish 30% of the total grant (which has already been received) will be for the following financial year and a Receipt in Advance adjustment will be needed.

Illustration;

£17,000 grant allocated for a two year project

£13,600 received in year one (80%)

£5,100 received in year one relates to the following year, therefore a Receipt in Advance adjustment is required at year end.

£3,400 balance will be paid at the end of year two.

Contact Point

For any additional information in connection with this subject please contact Schools Accountancy on 0208 359 7228/7223/7227