

### CHAPTER 14

#### School Private Funds

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#### 14.0 SCHOOL PRIVATE FUNDS

##### 14.1 Definition

14.1.1 School Funds are monies held by schools other than official monies belonging to the County Council. They are used to pay for items or activities not normally provided by the County Council.

14.1.2 School Funds do not include the following:

- i. Money collected in connection with National Savings Schemes
- ii. Money belonging to parent/staff associations
- iii. Money belonging to Governors, i.e. Foundation Funds
- iv. Money relating to staff tea or coffee funds, etc
- v. Money belonging to private individuals

However, the advice in this chapter represents "good practice" and can usefully be adopted for these types of fund.

##### 14.2 Responsibility

14.2.1 School Governors should initially approve the setting up of a school fund. If its gross income is likely to exceed £5,000 in any year they will also need to agree and have in place a constitution and register the fund with the Charity Commissioners. Details of the registration requirements of the Charity Commission and guidance on the completion of the necessary forms can be found in Appendix 1. A model constitution, based on NYCC financial procedures and guidance and adapted from versions approved by national organisations is attached at Annex 1a to Appendix 1. (Note that Parent Teacher Association accounts should also be registered with the Charity Commissioners if their income exceeds the £5,000 threshold).

14.2.2 The Governors are responsible for overseeing the management of the school fund and should appoint a member of staff as Treasurer.

14.2.3 The Governors should not be involved in the day to day running of the school fund.

14.2.4 The Head Teacher is responsible for the control and good management of the school fund and will often be appointed as Treasurer.

14.2.5 The day to day administration of the fund is usually delegated to administrative staff.

14.2.6 For larger funds, individual duties should be allocated between members of staff. One member should have overall responsibilities as Treasurer for the day to day administration of the account by keeping the accounts, being responsible for the handling, recording and banking of cash which has either come directly to him or her or after it has been collected by others. Specific activities, i.e. trips, tuck shop, school photographs, etc, may be the responsibility of others who should keep suitable records which can be checked by the Treasurer or the independent examiner or auditor of the fund.

14.2.7 The Head Teacher should make regular examinations of the accounts, bank statements and other records of the fund to ensure adequate control is being maintained. This is of greater importance where the Head is not the Treasurer.

14.2.8 The Governors and Head Teacher should arrange for the appointment of an independent examiner or auditor. The appointee should not be involved in the administration of the fund, should not be a governor (i.e. a trustee of the fund) and should, where possible, have bookkeeping or accounting experience. For larger funds, it is recommended that a qualified Accountant be appointed as auditor. A checklist for auditors or independent examiners is set out in Appendix 2.

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14.2.9 The Head Teacher is required to prepare and present a set of audited accounts to the Governors annually and to send a copy to the Charity Commissioners (if so required). LMS Financial Procedure Rules also require a copy of the annual accounts to be sent to the Internal Audit Service provided by Veritau. The audited accounts should also be made available to the parents and to the general public upon request.

14.2.10 Veritau also has a responsibility to ensure that the funds are properly administered. This is achieved by checking that schools comply with these Notes of Guidance and LMS Financial Procedure Rules. **The Internal Audit Service should be informed immediately by the Head Teacher of any suspected financial irregularities involving school funds.** The Internal Audit Service will then, in consultation with the Governing Body, take such steps as are considered necessary to investigate and report on the matters considered. In order to carry out this responsibility the Internal Audit Service should be given the right of access to all school fund records and can require staff to provide explanations regarding those records. The Internal Audit Service is prepared to offer help and advice where problems are encountered and Treasurers are encouraged to take advantage of this facility.

### 14.3 Bank Accounts

14.3.1 A current bank account should be maintained in the name of the school, i.e. "Learningham School Fund". This account should never be in the name of the Head Teacher, other members of staff or Governors. In addition, where the School Fund has an income in excess of £10,000 a year the Charity Commissioners require the fact that it is a registered charity to be publicised on cheques, etc. It is recommended that the words "**Registered Charity**" (or abbreviated as "Reg'd Charity") be added, in brackets, to the account name.

14.3.2 Bank statements should be obtained at least monthly for larger funds and at least termly for smaller funds. They should be addressed to "the Treasurer" or "the Head Teacher" and sent to the school.

14.3.3 Previous audit work has identified a number of school funds where losses in potential bank interest have been considerable. Head Teachers are therefore strongly advised to 'shop around'. It should prove possible to obtain banking services on similar terms to those offered for School BAFS Accounts. **Where the school fund is registered with the Charity Commission it is entitled to receive interest gross. Schools should ensure that their chosen bank is aware of this.**

14.3.4 Where possible school funds should be contained within one bank account, i.e. do not open separate bank accounts for "School Trips", "Photographs", "Uniform", etc. Where in exceptional circumstances separate accounts are maintained, they must be kept in accordance with these Notes for Guidance and LMS Financial Procedure Rules and also the Charity Commission regulations (if registered). This, therefore, involves the need to maintain a separate cash book and prepare, audit and submit to Governors, separate sets of annual accounts.

14.3.5 All cheques drawn or other withdrawals from current and deposit school fund accounts should bear two signatures, one preferably being that of the Head Teacher. A practical working arrangement may be to have three or four approved signatories, any two of whom may sign cheques. Members of the Governing Body who are not employees should not be signatories to the bank account for insurance reasons.

14.3.6 All cheques sent by post should be crossed.

14.3.7 Blank cheques should never be signed in advance.

14.3.8 Personal cheques should not be cashed through a school fund or from school fund monies.

14.3.9 No loans should be made from the school fund unless approved by the Governing Body.

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**14.3.10 No Funds allocated to the school by the County Council or income due to the delegated budget account should be paid into the Private Fund.**

**14.4 Income**

14.4.1 A numbered carbon duplicate receipt book, which can be obtained from stationery shops, should be provided and receipts issued for all monies received, including transfers of cash and cheques between staff within the school. All cancelled receipts should be retained in the book and the used receipt books kept for audit. Details provided on the receipt should include the date, from whom the income was received, the reason for the income, a breakdown of the total received (between cash and cheque) and the signature of the recipient. Receipts should be issued at the time the cash is received.

14.4.2 In many cases the receipt of income will be accompanied by some form of documentation. It is suggested that receipt numbers and the date of receipt is entered on the documentation and these "income vouchers" are filed in date order on a separate file for each financial year.

14.4.3 Where money is collected from individual pupils by instalment, i.e. for a residential trip, an alternative to the issue of individual receipts is for a register of income received to be maintained. A separate register for each trip should be used by the member of staff responsible and an example is enclosed as Appendix 3. The register provides for the recording of each transaction and is intended to provide both a running total of the amounts paid by individual pupils and also a record of the amounts regularly paid over to the Treasurer. When amounts are paid over to the Treasurer a receipt should be issued for the total amount which should tally with the collecting teacher's register. The receipt number should be entered at the bottom of the relevant column and the receipt attached to the register. In addition, where multiple payments are involved, a "savings card" record may be kept by the pupil and initialled by the collecting teacher. In the case of sponsored events, the member of staff collecting the money should sign the pupil's sponsor sheet by way of receipt. Furthermore, the member of staff should keep a register of all amounts collected and paid over to the Treasurer.

14.4.4 ALL income should be banked promptly and intact. This guidance applies equally to both teachers administering individual activities and the Treasurer. It is suggested that school fund income should be banked whenever the total income collected exceeds £150. In any event, the total amount of all cash and cheques for ALL income held overnight in school should not be more than £200, or if the school has a safe or a strong-room a limit of £200 may be applied (see further advice in Chapter 11: Income, paragraph 7 of the manual). Members of staff administering individual activities should hand money over in person to the Treasurer. Amounts handed over should, wherever possible, be counted at the time of the handover and a receipt issued immediately. The practice of two people counting cash collections together should be applied, wherever practical, in all circumstances when cash has to be counted.

14.4.5 Payments should never be made out of unbanked income.

14.4.6 Schools should encourage payments to the school fund to be made by cheque rather than cash. It is suggested that, in order to avoid cheques being returned and the associated administrative complications, cheques should be examined to ensure that they are:

- i. correctly dated;
- ii. not post dated;
- iii. payable to the school fund;
- iv. the words and figures agree; and
- v. they have been signed.

14.4.7 The bank paying-in slip should be fully completed, including the analysis between cash and cheques, and a listing of all cheques either on the reverse of the paying in slip or on a separate

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list provided for the bank cashier. It is recommended that the school name and address be stamped on the reverse of cheques prior to their being banked. Paying in book counterfoils should be stamped by the bank cashier.

#### 14.5 Payments

14.5.1 Wherever possible, payments should be made by cheque. Where small payments are required, it may be necessary to make them in cash. Here the cheque book should be used to withdraw the required petty cash float from the bank. In the case of withdrawals to enable cash payments the stub should refer to "cash withdrawal to pay ...". All cheque book stubs should be completed with details of the amount and payee.

14.5.2 Receipts/invoices/petty cash vouchers to support all expenditure must be obtained and retained. It is recommended that details of the payment, i.e. date and cheque number, are recorded on the invoice/receipt/petty cash voucher. It is also suggested that each transaction is given a separate number, perhaps commencing with "I" in each financial year. Invoices could then be filed in transaction number order. For payments not covered by an invoice or receipt, books of Petty Cash vouchers can be readily purchased. Petty Cash vouchers can also be used to summarise details of shop till receipts which should be stapled to the voucher.

14.5.3 The Treasurer should monitor activities to ensure the intended financial policy is broadly achieved or spending is kept within any "targets" set by the Head Teacher or Governing Body.

14.5.4 The proposed financial arrangements for educational visits etc should be carefully planned. There can be advantages in processing trips through the LA accounts rather than the Private Fund (see Chapter 16: VAT for details). Guidance on Educational visits can be obtained through NYES.

<https://www.nyeducationsservices.co.uk/services/educational-visits-advisory-service>

14.5.5 It is sometimes necessary for individual members of staff to be made an advance, typically in connection with a school trip. When the initial advance is made the member of staff receiving the advance should sign a petty cash voucher showing the amount received and the date. The voucher should also be signed by the Treasurer. The transaction should be recorded in the accounting records (see section below on Accounting). The school may also have a card linked to the bank account which could be used, negating the need to carry cash. After the conclusion of the activity the member of staff receiving the advance should, at the earliest opportunity, submit a statement, with supporting receipted invoices, for all expenditure incurred. The statement and supporting vouchers should be thoroughly checked by the Treasurer who should also, if a balance is being returned, issue a receipt. If the expenditure exceeds the initial advance a payment for the "balance" will be necessary and the statement, and attached invoices, should be used as the invoice voucher. In any event the statement, or a copy thereof, should be retained as part of the school fund records. If the expenditure is less than the advance "the surplus" should be paid into the school fund with the statement being used as the "income voucher". The Treasurer should make a diary note to follow up any outstanding advances and report any undue delays to the Head Teacher.

14.5.6 If it has been decided to authorise repayment of expenses to an individual, the basis of payment should be determined in advance. The basis of reimbursement can either be a fixed grant towards expenses or the reimbursement of agreed actual expenses, or a proportion thereof, paid on the production of receipted vouchers. In the latter case, a payment of an advance may be appropriate in certain circumstances. In all cases the expenses must be paid by cheque.

14.5.7 If it is proposed to make any payments to an individual for anything other than expenses, it is necessary for the Head Teacher, in advance of making the payment, to contact the Finance and Central Services Payroll Section to determine the correct arrangements regarding income tax, national insurance, etc.

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14.6 **Security**

14.6.1 School Fund cash and cheques held in the school and the school fund cheque book should be kept in a safe or secure cabinet when not required.

14.7 **Insurance**

14.7.1 School funds are covered against losses by the Department for Education's Risk Protection Arrangement (RPA) for "Money" and "Employee and Third Party Dishonesty". A summary of the cover is set out below but full details, conditions, exclusions and rules of the RPA are available on the following link: <https://www.gov.uk/guidance/the-risk-protection-arrangement-rpa-for-schools>

a) Money

**Loss of Money**, the property of the member school or for which the member school is responsible in the course of business:

- i) in transit
- ii) on the premises
- iii) at the private dwelling houses of any authorised Employer or Governor
- iv) deposited in a bank safe until removed by a bank official

**Main Conditions** are as follows:

- A complete record shall be kept of the money
- Such record shall be deposited in a secure place other than the safes containing the money.
- Outside business hours the safes shall be kept locked and the keys of the safe shall not be left on the premises.

**Limits any one loss**

1. Stamped national insurance card, crossed cheques, crossed giro cheques, crossed bankers drafts, crossed warrants, national savings certificates, premium savings bonds, franking machine, impressions, credit company sale vouchers and VAT invoices: £250,000
2. Money other than described in 1 above not contained in a locked safe in the Members Premises or in transit or in a bank night safe: £5,000
3. Money other than described in 1 above in locked safes: £10,000
4. Money other than described in 1 above whilst at the private residence of authorised employees and governors: £500
5. Any other loss: £500

**Excess**

The first £100 of each and every loss other than losses by a nursery or primary school where the excess is £50 each and every loss

i. .

b) Employee and Third Party Dishonesty

Direct pecuniary loss due to the dishonesty of member school employees and/or theft of money by computer fraud

**Limit:** £500,000 each and every loss and shall be the maximum aggregate liability of the RPA in any one Membership Year for a Member.

**Excess:** The first £500 of each and every loss other than losses by a nursery school or primary school where the excess will be the first £250 each and every loss.

#### 14.8 Accounting

14.8.1 Accounting records should be maintained and all transactions should be recorded. The format of the records will depend to some extent on the size of the fund and the resources available in the school but there are four options:

- i. use of a manual or spreadsheet based system of accounting for the fund.
- ii. use of the schools financial accounting software package - either RM Finance - to maintain the records. (Advice and training is available from the FMS team);
- iii. use of a bespoke financial management software package, such as Microsoft MONEY, to maintain the records;
- iv. the school fund spreadsheet developed by the Internal Audit Service.

Whichever method is chosen to maintain the accounts it must be capable of readily producing the annual accounts of the school fund and of being easily followed by the auditor or independent examiner.

14.8.2 All transactions should be supported by receipts, invoices and other vouchers as previously described. Supporting documents should be kept in a file in transaction date order to facilitate cross reference to the accounting records.

14.8.3 The majority of transactions arise from payments or receipts that will be processed in the accounting records before being reflected on the bank statement. However, the Treasurer will not be aware of bank charges or interest received until receipt of the bank statement. When received, bank charges should be treated as an expenditure item and entered as such in the records. Similarly, any interest received should be recorded as income.

14.8.4 All accounts should be kept on an annual basis. The financial year of the fund can be either the academic year or the normal financial year.

14.8.5 A reconciliation of the accounting records and bank accounts should be carried out whenever a bank statement is received. In order to carry out the reconciliation, it will be necessary to identify those cheques which have been issued but not yet presented at the bank. A record of the reconciliation should be retained.

#### 14.9 Annual Accounts

14.9.1 The accounts should be closed down annually, and a statement of receipts and payments as well as a balance sheet prepared. (However, if the total income of the Fund exceeds £250,000 a year, accounts need to be prepared on an income and expenditure basis. Contact the Internal Audit Service for additional advice if you think that this applies to your school.) An example of the format of a school fund annual report, as recommended by the Charity Commissioners, is set out in Appendix 4. These should be independently examined or audited by a person appointed by the School Governors. That person should not be involved in the day to day running of the fund and cannot be a member of the Governing Body because of Charity Commission rules.

14.9.2 As soon as the annual accounts have been prepared the auditor should be informed. The auditor should have access to all records and vouchers, including the accounting records,

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receipt books, income vouchers, expenditure vouchers, bank statements, paid cheques (if provided by bank) and paying in books. In addition, the auditor may wish to examine some or all of the records maintained by staff responsible for individual school fund activities.

- 14.9.3 A "Checklist for Independent Examiners or Auditors of School Funds" can be found at Appendix 2. This checklist, together with the remainder of these Notes for Guidance should be drawn to the attention of the examiner auditor. A suggested form of certificate (as recommended by the Charity Commission) is included in Appendix 5.
- 14.9.4 After the audited accounts have been presented to the School Governors by the Head Teacher a copy should be sent to Veritau, the Internal Audit Service. If the gross income/turnover of the Fund is over £250,000 you must also send a copy of the accounts to the Charity Commission. If the income is less than £250,000 you need only send the Charity Commission a copy if requested, but you must complete an Annual return, which can be done online.
- 14.9.5 All records and supporting documents should be kept for six years after the accounts have been audited.

#### 14.10 VAT

14.10.1 VAT may be recovered by the County Council on behalf of the school on goods and services purchased from Private Fund monies **but only in the following circumstances:**

- i. the purchase must be of an educational nature;
- ii. the school has issued an official order for the goods or services, but clearly marked that the purchase is to be financed from the official school fund;
- iii. the invoice must be addressed to the County Council, or the school, and not to an individual or the Parent/Teacher Association;
- iv. the invoice must be checked, authorised and paid in the usual way from LA funds, using the official BAFS account. The invoices should also be recorded on the schools accounting system in the usual way;
- v. a cheque for the amount on the invoice, net of VAT, should be donated from the Private Fund to the official school funds;
- vi. if the purchase is of an item of equipment this should become the schools' property and be recorded in the inventory.

14.10.2 It is not possible to recover VAT paid if the invoice is first paid from the Private Fund and then subsequently passed to the County Council for reimbursement from the delegated budget.

14.10.3 Records must be kept that will enable you to easily identify the purchase and purpose for which it is made.

14.10.4 These arrangements can also be applied to purchases by Parent/Teacher Associations but not to other organisations (i.e. playgroups) or individuals.

14.10.5 More detailed advice on the operation of these arrangements is set out in Chapter 16: VAT of this manual.

14.10.6 If the taxable turnover of the Private Fund exceeds £85,000 it must be registered for VAT. Further details of the method of calculating taxable turnover are set out in Chapter 16: VAT. **If the taxable turnover is considered to exceed £85,000, it is essential that the Head Teacher contacts the Finance Enquiry Service for advice regarding the procedures necessary for VAT registration.** Once registered, VAT must be charged on all VATable goods and services supplied through the Private Fund.

#### 14.11 Private Funds and the Delegated Budget

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- 14.11.1 In considering the role of Private Funds and the delegated budget, it is important to take account of legal and VAT considerations.
- 14.11.2 In legal terms, the delegated budget is part of the local authority's accounts and therefore income and expenditure can relate only to educational activities within the school for statutory purposes. There is greater discretion in the use of Private Funds as it is "owned" by the Governors of the School as trustees.
- 14.11.3 With VAT, there are advantages in processing certain transactions through the delegated budget in order to reclaim VAT. However, there are strict limits on the nature of these transactions as outlined in the preceding section, 14.10 of this chapter. On the other hand, processing certain types of income to the Private Fund, e.g. school concerts, avoids a liability for VAT which would arise if it was processed by the delegated budget. For further guidance on which activities to run through Private Funds see s.16.11.7
- 14.11.4 In general, whichever account is chosen for a particular type of transaction, all income and expenditure associated with that activity should be charged to that account. There is no purpose, and it is poor accounting practice, for example, to charge the school photocopying account to the delegated budget and yet pay in the income collected from private photocopying to the Private Fund.
- 14.11.5 For further guidance around VAT on Private Funds, see s.16.11.7

#### 14.12 Income Tax Liability

- 14.12.1 Private Funds, as Registered Charities, enjoy tax concessions. This allows them to receive interest "gross" (no tax deducted) and to raise funds by means of Gift Aid. Following registration with the Charity Commissioners, the Fund Treasurer will need to claim exemption as a registered charity from HM Revenue and Customs if banks or building societies continue to pay interest "net".
- 14.12.2 There are, in certain circumstances, added advantages to being a registered charity. In particular, this enables funds to be raised by means of Gift Aid. The HM Revenue and Customs guidance note on 'Getting Britain Giving' can be downloaded from - [www.hmrc.gov.uk/charities](http://www.hmrc.gov.uk/charities).
- 14.12.3 The establishment of a Private Fund as a registered charity and securing the benefits of that registration require two basic steps:-
- i. registration with the Charity Commissioners; and
  - ii. claiming exemption as a registered Charity from the HM Revenue and Customs.
- 14.12.4 Each step requires the Constitution of the Charity to be approved. There are Model Constitutions which have already been approved by both the Charity Commissioners and HM Revenue and Customs for this purpose and these are shown as Annex 1a to Appendix 1.

## REGISTRATION OF SCHOOL FUNDS UNDER THE CHARITIES ACT 2006

### 1.0 INTRODUCTION

1.1 Under the Charities Act 2006, if a body has charitable purposes, then it is by definition a charity and unless it falls into certain exemptions, it must be registered. Any School Funds with an income of more than £5,000 a year, from all sources, will therefore need to register. This figure of £5,000 includes **all** money going into the fund during the year (i.e. the gross income, turnover or cash flow) including where the Fund is being used just as a "Holding Account" (i.e. collections for other charities). This conclusion has been reached after detailed research as it represents a further administrative burden.

### 2.0 ALTERNATIVES TO REGISTRATION

2.1 Depending on the normal activities of the School Fund, it might be possible to merge it with another fund, in order to avoid the need to register. The possibilities are:

- a) Merge the School Fund into the BAFS account. However, this may cause problems because funds in the BAFS account can only be spent on activities covered by the LMS Scheme of Delegation ("statutory education"). There may also be VAT complications on activities such as income from school plays and concerts.
- b) Merge the School Fund into the Parent/Teacher Association. However, this will mean that the Governing Body will lose any direct control over the spending of the funds. In addition, if the volume of transactions is large, it may affect the goodwill of the PTA Treasurer! In any event the PTA may itself need to register. The advice of the National Confederation of Parent Team Associations is that PTAs should register where required.
- c) In the case of Aided and Voluntary Schools it may be possible to merge the School Fund into any other trust or foundation. The trust would then need to produce consolidated accounts including the School Fund as a subsidiary charity. Once again, the Governing Body may lose any direct control over the spending of the funds, unless, as will often be the case, they are also Trustees of the trust.

2.2 In most cases you may decide that it will be better to register the School Fund as a separate entity, with the Governors as Trustees, rather than avoid registration by one of the above methods.

### 3.0 BENEFITS OF REGISTRATION

3.1 The main reason for registering is to meet the statutory requirement. However, there are also some positive benefits from registering. Depending on the activities of the fund, the following benefits may be significant or irrelevant:

- a) Tax relief on donations made by Gift Aid.
- b) A limited amount of VAT relief is available if the Private Fund is registered as a charity. As a Charity the Private Fund would not pay VAT on some goods & services purchased. However, this is limited to very few items (contact the Finance Enquiry Service if you need further information). The registration of the Private Fund as a charity would not affect the ability of the Fund to avoid VAT on large items by donating the money to the official BAFS account, to enable the purchase to be made from the school's official budget.
- c) Other tax advantages on income and corporation tax, capital gains tax, stamp duty and inheritance tax. The most significant one of these is being able, as of right, to receive interest on bank accounts gross of tax. Currently this concession is usually granted but it is a "grey area" on which Bank and Building Societies do not have a consistent view.
- d) The right to seek grants from trusts which only accept applications from Registered Charities.

- 3.2 The requirement for registration is part of a general tightening up of the "probity requirements" for charities and similar funds.

#### 4.0 REGISTRATION PROCESS

- 4.1 For the majority of schools, the process of registering with the Charity Commission involves the following steps:

- i. Most School Funds will not currently have any formal constitution or rules, beyond the guidance issued by the LA. **Therefore, the Governing Body will need to agree a set of rules in draft which will be acceptable to the Charity Commission.**

**A model constitution is shown at Annex 1.** It is based upon the appropriate adaptations to take account of NYCC financial procedures and guidance, "model" constitutions suggested by various organisations. However, you may wish to adopt as an alternative, models which are available from the National Association of Head Teachers or the Secondary Head Teachers Association (SHA). The SHA's model will need adapting, as it makes the fund the sole responsibility of the Head Teacher rather of the Governing Body, as required by LMS Financial Procedure Rules.

- ii. **Schools can then apply, using the online application service, to the Charity Commission for registration. Guidance on making an application should be sought from the Charity Commission at**

<http://www.gov.uk/government/organisations/charity-commission>

#### 5.0 ONGOING REQUIREMENTS

- 5.1 The ongoing requirements for charities, once registered, depends on the annual income and a number of income thresholds.

Money for school trips and educational visits may or may not count towards income for threshold purposes. Two possible situations arise:-

- **Where the school fund is acting as a holding account**

This happens if a school fund is merely being used as a 'post box' to collect money for school trips and passes the money on to a travel agent who is organising the trip. The school fund takes no risk and cannot decide how the money is spent. In this case, the receipts and payments do **not** count towards threshold income and these amounts need not be included in the accounts (except perhaps a note).

- **Where the school fund is involved in organising the trip**

This is where the school fund is effectively used to pay for individual elements of the trip - for example the coach costs, theatre or museum tickets, etc - and therefore might make a profit or loss on the deal. Provided the trip is educational, the school fund is here carrying out a charitable trade and both income and expenditure from these trips count towards income and these transactions must be summarised in the accounts.

This could affect the way that you calculate the income of the charity (i.e. school fund) for threshold purposes. To remind you, the appropriate thresholds are:-

<b>Income Exceeding</b>	<b>Requirement</b>
£5,000	Registration of Fund with the Charity Commission; database update form to be completed annually.
£250,000	Notification of charitable status to be included on a specified range of documents.  Annual report and accounts to be submitted to the Charity Commission.  Annual return and database update forms to be completed and sent to the Charity Commission.

£250,000	Annual Accounts to be prepared on an accruals basis (i.e. incorporating debtors and creditors).  Annual report, accounts, annual return and database update forms to be returned to the Charity Commission/
£500,000	Accounts to be subject to audit by professionally qualified auditor, as opposed to independent examination.  Annual report, accounts, annual return and database update forms to be returned to the Charity Commission.

- 5.2 If a School Fund is already following the County Council's guidance then the main change, for most funds, will be that a copy of the accounts together with the Annual Report/Return will need to be sent to the Charity Commission as well as to Finance and Central Services. For funds over £100,000 income there may also be slight changes needed to the format of the accounts.

In addition, all Charities who have income of over £10,000 a year must state the fact that they are a registered charity on all correspondence. This may mean that the school will need special headed paper for School Fund letters, or, more practically in view of the likely volume of such letters, add the registered charity number to letters relating to school fund activities. You will also need to arrange to have the words "Registered Charity" shown on all cheques (presumably by adding this to the account name).

## 6.0 THE NEXT STEPS

- 6.1 It is recommended strongly that all School Funds, which are required to register, do so. **The Charity Commission have specifically requested that the initial approach for each fund come from individual schools.**
- 6.2 The branch that deals with all charities in the North Yorkshire area is:  
The Charity Commission  
PO Box 211  
Bootle  
Liverpool  
L20 7YE  
  
Telephone: 0300 066 9197
- 6.3 Further guidance from the Charity Commission can be found at:  
<http://www.gov.uk/guidance/charity-commission-guidance>
- 6.4 If you have any queries please contact the Assistant Director – Strategic Resources (CYPS)

.....**SCHOOL FUND**  
**CONSTITUTION**

Following discussions on the requirement to have the School Fund registered as a charity, it was resolved that the following rules should be adopted:

1. **Name**

The fund shall be known as the ..... School Fund.

2. **Objects**

The objects of the fund shall be to advance the education of the pupils of ..... School by providing or assisting the provision of education, recreational and other charitable facilities in augmentation of such facilities financed by the Local Authority. In furtherance of this object but not further or otherwise, the fund may undertake activities which promote the charitable work of the school and further the education and advancement in life of the pupils. All expenditure should be only on activities as determined by the Constitution, and gifts for staff should not be made from the fund unless it is clearly in line with the constitution and have been approved as such by the trustees

3. **Administrators**

The fund shall be administered by the governors for the time being of ..... School. The day to day management of the tasks may be delegated to the Head Teacher for the time being of the school or such other person or persons as the administrators shall think fit provided all acts and proceedings of such Head Teacher or other persons shall be reported to the administrators as soon as possible.

4. **Accounts**

The administration shall cause full and punctual accounts to be kept of the funds and all income arising therefrom and all dealings therefore and all payment made thereunder and at least once a year cause a statement of accounts to be prepared for the previous year and shall cause such accounts to be audited in each year.

5. **Banking**

The administrators shall appoint bankers with whom an appropriate account or accounts shall be opened in the name of the fund. All withdrawals from such accounts whether by cheque or otherwise shall require the signature of two persons appointed by the administrators.

6. **Amendments**

These rules may be varied, deleted or added to if the administrators so resolve provided that no variations, deletions or additions shall be made so as to cause the fund to cease to be a charity at Law.

7. **Winding Up**

The funds may be wound up by a resolution passed unanimously by the administrators. In such event, the remaining assets of the fund after satisfaction of any liabilities properly payable thereof, shall be applied for such charitable educational purposes as the administrators shall decide.

## CHECKLIST FOR INDEPENDENT EXAMINERS OR AUDITORS OF SCHOOL FUNDS

### A. INTRODUCTION

Before reviewing a school fund, examiners/auditors should obtain a copy of Chapter 14 of the Schools Finance Manual either from the school, Veritau, the Internal Audit Service, County Hall, or via the following link [http://cyps.northyorks.gov.uk/sites/default/files/School finance/School Finance Governance/School Finance Manual/Chapter\\_14\\_School\\_Private\\_Funds.pdf](http://cyps.northyorks.gov.uk/sites/default/files/School%20finance/School%20Finance%20Governance/School%20Finance%20Manual/Chapter%2014%20School%20Private%20Funds.pdf)

Examiners may also wish to read The Charity Commission's guidance 'Independent examination of charity accounts: examiners' (CC32 available from the website at <https://www.gov.uk/government/publications/independent-examination-of-charity-accounts-examiners-cc32> )

The aims of the examination are:-

- 1) To form an opinion as to whether the Statement of Receipts and Payments and Balance Sheet produced by the treasurer represent the true position of the school fund at that point in time.
- 2) To ensure that adequate controls are being maintained to safeguard against fraud and errors.
- 3) To ensure that levels of receipts and payments and the nature of the transactions are consistent with previous years. Significant changes should be investigated.
- 4) To ensure that the transactions are reasonable, taking into consideration the objectives of the fund and the financial policies for individual activities.
- 5) To ensure the proper separation of LA and private fund monies.

### B. INITIAL CHECKS

- 1) Ask to see **all** of the records - cash books, bank statements, invoices, used receipt books, cheque books **and** records kept by staff organising particular activities, i.e. trips etc.
- 2) Find out what accounts are maintained within the school fund.
- 3) **Check** that the balances brought forward at the beginning of the current year match balances carried forward at the end of the previous year.

### C. CASH CONTROLS

- 1) Is the cash held on the premises kept in a safe or secure cabinet?
- 2) Does the amount held appear reasonable?

### D. BANK CONTROLS

- 1) What bank accounts are being maintained?
- 2) What name are bank accounts being maintained in?
- 3) Who receives the bank statements and how often?
- 4) Reconcile the bank balance on the statement to the records after account has been taken of un-presented cheques etc. The reconciliation should have been prepared by the Treasurer and **the examiner/auditor should review the reconciliation.**

- 5) Are regular reconciliations carried out?
- 6) Is the level of money held in the current account excessive?
- 7) Is the school fund cheque book kept in a safe or secure cabinet?
- 8) Are two signatures required for withdrawals from the "School Fund" account?
- 9) Who are the signatories?

#### E. INCOME CONTROL

- 1) Are receipts issued for all income and copies retained?
- 2) Is all income banked intact?
- 3) Is income banked promptly?
- 4) Are all bank paying-in slips stamped by the bank?
- 5) **Check** a sample of receipts to cashbook to bank statements. If errors are identified in the sample check all items should be cross-checked.
- 6) Review all large items of income to establish whether they should be paid into the delegated budget. If in doubt contact the Internal Audit Service.

#### F. EXPENDITURE CONTROLS

- 1) Are invoices obtained for expenditure wherever possible?
- 2) If invoices are not obtained are petty cash vouchers/documents prepared?
- 3) Are payments made by cheque where possible?
- 4) Are cash payments supported by receipted invoices or other vouchers?
- 5) Have advances to members of staff for school trips etc been properly accounted for?
- 6) **Check** a sample of invoices to cash book to cheque book to bank statements and vice versa.
- 7) Check a sample of subsidiary records, i.e. records for individual trips including income register to receipts and money transferred to Treasurer.

#### G. CASH BOOK

- 1) Is the Cash Book kept in sufficient detail?
- 2) **Check** arithmetic.

#### H. STATEMENTS OF ACCOUNTS

- 1) Statement of receipts and payments
  - a) **Check** arithmetic.
  - b) **Check** correct date, title used.
  - c) Sample check totals have been transferred correctly from the individual account records onto the receipts and payments account.
- 2) Balance Sheet
  - a) **Check that the correct title and date has been used.**
  - b) Check that correct amounts have been transferred onto the balance sheet from School Fund records and bank statements.
  - c) **Check** arithmetic.

I. **RECORDS AND REPORTS**

- a) The examiner/auditor is requested to keep a record of the checks carried out; if asked to examine the accounts again the examiner/auditor can use this record, for example to select a different sample of trip records for detailed examination.
- b) If the examiner/auditor is satisfied that the accounts and records represent a true reflection of the fund's transactions the statement should be completed and signed to this effect - see Appendix 5. If this is not so the examiner/auditor can:-
  - refuse to sign the accounts and report the reasons for refusal to the Head Teacher and the Governing Body;
  - submit a written report to the Head Teacher or Governing Body suggesting where improvements can be made to accounting procedures, even if they are prepared to sign the accounts.
- c) **If fraudulent action is suspected the matter should immediately be reported to the Head Teacher or, to the Internal Audit Service on 01609 532739.**
- d) Similarly if it is suspected that items of income that should have been paid into the delegated budget have been paid into the voluntary fund the Internal Audit Service should be contacted.
- e) Check that last year's accounts were submitted to the Governing Body.

**NORTHALLERTON JUNIOR SCHOOL**  
**Register of Income Received - East Barnby Trip**  
**Dates: 6 - 12 March 20xx**

<i>Pupil Name</i>	<i>Date Collected</i>									<i>Total</i>
	<i>20 Jan 20xx</i>	<i>7 Feb 20xx</i>	<i>14 Feb 20xx</i>	<i>21 Feb 20xx</i>	<i>25 Feb 20xx</i>	<i>1 Mar 20xx</i>				
John Smith			85.00							85.00
Angela Jones	15.00	15.00	15.00	15.00	15.00	10.00				85.00
Harry Thomson	85.00									85.00
Albert Thompson	85.00									85.00
Helen Kirby	7.00	7.00	7.00	7.00	7.00	7.50				42.50
John Fletcher	15.00	15.00	15.00	15.00	15.00	10.00				85.00
Anne Baker	15.00	15.00	15.00	15.00	15.00	10.00				85.00
William Barker	7.00	7.00	7.00	7.00	7.00	7.50				42.50
Kimberly James			42.50							42.50
<b>Total Collected</b>	229.00	59.00	186.50	59.00	59.00	45.00				637.50
Passed to Secretary	21 Jan 20xx	7 Feb 20xx	14 Feb 20xx	21 Feb 20xx	25 Feb 20xx	1 Mar 20xx				
Receipt No	F01254	F01301	F01352	F01359	F01400	F01414				

## FORMAT OF SCHOOL FUND ANNUAL REPORT

### INTRODUCTION

The Charity Commissioners require all registered charities to prepare an annual report. This appendix gives guidance to schools as to how these requirements can be met but further information is available from the Charity Commissioners in their booklet "Accounting for the Smaller Charity".

### ANNUAL REPORT

The following details should be included in the report:-

- the full name of the charity;
- the charity's number (if any) in the register of charities;
- the principal or registered address of the charity;
- the nature of the charity's governing document (i.e. "Trust deed dated 5 May 1996");
- the names of the persons legally responsible at any time in the financial year for the control and management of the charity as trustees;
- the names and addresses of the charity's main agents and advisers;
- a brief summary of the main purposes or objects for which the charity is established, as set out in its governing document;
- a brief summary of the main charitable activities undertaken during the year and how these relate to its objective;
- details of any major changes in the aims or organisation of the charity since the last report;
- a review of the financial performance of the charity during the year.

An example of how a school might comply with these requirements is shown on the following 3 pages. Details of income and expenditure should be broken down between restricted (i.e. endowments made for a specific purpose, such as providing income for annual prizes) and unrestricted funds. (Note that the figures included in the income and expenditure account flow from the analysis sheets in Appendix 4).

**NORTHALLERTON JUNIOR SCHOOL FUND**  
**Annual Report for the Year ended 31 March 2021**

The Northallerton Junior School Fund is governed by a Constitution and is a registered charity no. 123456. Its address is at Northallerton Junior School, High Street, Northallerton, DL7 8XX. The charity trustees during the year to 31 March 2021 were the governors of the school, namely

Mr John Smith	Chair
Mr Fred Jones	Secretary
Mrs Jane Lewis	Treasurer (and Head Teacher)
Miss Joan Smith	
Mrs Alice Turner	
Mr Fred Johnson	(from 1 September 2020)
Mr Andrew Wood	(to 31 August 2020)

The object of the fund is to advance the education of the pupils of the school by providing or assisting the provision of education, recreational and other charitable facilities in augmentation of such facilities financed by the Local Authority.

During the year the main activities of the fund were trips to Hartlepool and London and the sale of photographs and sweatshirts although a computer was purchased for the school thanks to a generous donation received from the executors of Mrs Lloyd, former Head Teacher. The fete this year was rather disappointing, raising only £106 compared to last year's £193.

The school fund has no restricted funds.

John Smith, Chairman

30 April 2021

on behalf of the Board of Governors

**NORTHALLERTON JUNIOR SCHOOL FUND**  
**RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2021**

UNRESTRICTED FUNDS (The school fund has no restricted funds)

<b>Receipts</b>	<b>2020/21</b>	<b>2019/20</b>
	£	£
Trips	1766	1406
Photographs	151	173
Tuck Shop	28	31
Sweatshirts	101	54
Donations	1500	100
Fundraising	<u>106</u>	<u>193</u>
Total Receipts	<u>3652</u>	<u>1957</u>
<b>Payments</b>		
Trips	1771	1307
Photographs	174	123
Tuck Shop	48	22
Sweatshirts	240	14
Donations	25	50
Equipment	950	570
Other expenses	<u>7</u>	<u>17</u>
Total payments	<u>3215</u>	<u>2103</u>
Net of Receipts/(Payments)	437	(146)
Cash funds last year end	<u>352</u>	<u>498</u>
Cash funds this year end	<u>789</u>	<u>352</u>

**NORTHALLERTON JUNIOR SCHOOL FUND**  
**STATEMENT OF ASSETS AND LIABILITIES AT 31 MARCH 2021**

<b>CASH FUNDS</b>	<b>2021</b>	<b>2020</b>
	£	£
Current Account (adjusted for unpresented cheques)	<u>789</u>	<u>352</u>
Total cash funds	<u>789</u>	<u>352</u>

**INDEPENDENT EXAMINER'S REPORT ON THE ACCOUNTS**

Report to the trustees/members of	<i>Northallerton Junior School Fund</i>						
Registered charity number (optional)	1	2	3	4	5	6	
On accounts for the year ended	3	1	0	3	1	2	
Set out on pages	3 - 4						
<b>Respective responsibilities of trustees and examiner</b>	As the charity's trustees you are responsible for the preparation of the accounts; you consider that the audit requirement of Section 43(2) of the Charities Act 1993 (the Act) does not apply. It is my responsibility to state, on the basis of procedures specified in the General Directions given by the Charity Commissioners under Section 43(7)(b) of the Act, whether particular matters have come to my attention.						
<b>Basis of independent examiner's report</b>	My examination was carried out in accordance with the General Directions given by the Charity Commissioners. An examination includes a review of the accounting records kept by the charity and a comparison of the accounts presented with those records. It also includes consideration of any unusual items or disclosures in the accounts, and seeking explanations from you as trustees concerning any such matters. The procedures undertaken do not provide all the evidence that would be required in an audit, and consequently I do not express an audit opinion on the view given by the accounts.						
<b>Independent examiner's statement</b>	<p>In connection with my examination, no matter has come to my attention (other than that disclosed overleaf *):</p> <p>(1) which gives me reasonable cause to believe that in any material respect the requirements:</p> <ul style="list-style-type: none"> <li>• to keep accounting records in accordance with Section 41 of the Act; and</li> <li>• to prepare accounts which accord with the accounting records and to comply with the accounting requirements of the Act.</li> </ul> <p>have not been met; or</p> <p>(2) to which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached.</p> <p>* Please delete the works in brackets if they do not apply.</p>						
Signed					Date	25/04/20xx	
Name	<i>FRED SMITH</i>						
Relevant professional qualification or body (if any)	<i>N/A</i>						
Address	<i>3 High Street</i>						
	<i>Northallerton</i>						