

Closure of Accounts 2021-22

**LMS Finance Team**

# Luton Borough Council Maintained Schools

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Version: 1.0 (published)

Last updated: January 2022

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# General Issues

* These guidance notes relate to the procedures to be adopted at the end of the 2020-21 financial year for Luton maintained schools. Your co-operation in their implementation is essential. Without the support of schools and their business managers, the statutory deadlines with which Luton Borough Council must comply cannot be achieved. Legislation and best practice dictate that from this year the Council’s draft accounts must be produced by **31st May** and audited and published by **31st July**.
* The deadlines have been set to ensure that the publication date is reached, but there is no room for any slippage. As a consequence it is vitally important that each date in the timetable is adhered to so that provisional and final figures can be reported promptly.

Month 13 Financial Information Statements (FIS) will be issued to schools on 23rd April. There will a further set of reports issued on the 25th April. Any queries must be raised by 02 May but please note that only exceptional and material adjustments will be made in Period 14.

# 1.Year end preparation

Upon receipt of the Period 11 and Period 12 Financial Information Statements (FIS), please ensure that the actual balances on your school software have been reconciled to the information held by the LA. There will be two FIS reports for period 12 the first will be distributed on the 4th April and the second on the 7th April. Any queries need to be taken up with your School Financial Adviser promptly. This is particularly important in view of the early closure deadline and the Consistent Financial Reporting return, which must be produced in May 2021.   
Any outstanding cheques not yet cashed at the bank should be chased up. Any cheques that are over 6 months old are deemed to be out of date and should be written back on your school software as soon as possible.  
  
If you have any outstanding credit notes that have not been matched against an invoice and if there will be no opportunity to do so before year–end you will need to contact the relevant supplier and ask them to issue a cheque or bank transfer for the amount of the credit note.

* No debts (outstanding income) should remain outstanding on unreconciled income listings for more than one year from the date of the invoice; unless there is clear evidence that the debt will be paid. If a debt remains irrecoverable after one year or if during the year it becomes clear that the debt will remain unpaid, then a report must be submitted to the Governing Body for approval to write off the debt.

Please carefully check your Period 11 statements for both revenue and capital and report any discrepancies to your school financial adviser by 13 March. There are no longer any central invoices paid for capital, so include invoice payments on the March bank account returns

Capital Expenditure (scheme 2 schools only )Capital expenditure has to be accounted for in the year in which the work is carried

# 2.Creditors for Capital Expenditure (Scheme 2 bank account schools only)

* Capital creditors will not be posted to capital projects (i.e. EZ codes), but will form part of Luton Borough Council’s Balance Sheet.
* Capital creditors should be included on a *separate* capital creditor list, where work has been carried out on the Council’s behalf by 31 March 2021, but the invoice has not been paid by this date.
* Only items greater than £10,000 should be included, and VAT should be excluded. Retention amounts should be accrued for, if they are material.

The creditor list can be obtained from your School Financial Adviser. These creditors’ lists should be returned by noon on Thursday 02 April.

# 3..Local Cheque Processing for Revenue expenditure

**For Scheme 1 and Fully Funded Bank Account Schools**

You should submit a March bank return by Friday 3 April unless you are working during the Easter break in which case the normal deadlines will apply. Please note only claims received by 3rd April will be included in period 12. In addition, a final set of returns for 2020-21 must be received in the LMS Team by Wednesday 22 April. This will provide the opportunity for further 2020-21 cheque runs.

Please ensure that all 2020-21 entries on any debtor, creditor or payroll control accounts you are using are cleared in full before submitting your final trial balance. Please note that you will not be able to move into the 2021-22 financial year if this exercise has not been undertaken. Where there is justification for closing balances on payroll control accounts; please ensure you complete working papers for audit purposes to substantiate these entries.

## For Scheme 2 Bank Account Schools

Where possible all invoices relating to 2020-21 should be processed by 02 April. This will enable schools to complete a March bank claim (from the date of your last bank claim until 02 April) on Friday 03 April and ***this should be emailed in to lms@luton.gov.uk.*** Invoices can be processed in the old financial year up to 21 April, at the latest*.* A final bank account claim should be run on 22 April for the day following the last bank claim to 21 April. Please reconcile to the bank balance on your bank statement on 31 March – i.e. draw a line under transactions on 31 March on the bank statement and reconcile to the 31 March balance. These returns ***must*** be received by the LMS Team no later than Wednesday 22 April. This will allow most of your invoices to be processed in the correct financial year. It is important to note that invoices from Luton Borough Council should be paid by 21 April as it is an audit requirement that no LBC invoices can be accrued at year end.

## Schools using HCSS Accounting

It is not possible to run two bank claims on HCSS in the same period. HCSS schools will need to submit a final bank claim for Period 12 by Wednesday 22 April.

Please note that the bank account in FMS6 can only be open in one financial year at a time. After the Easter holiday, the new financial year (2021-22) will have already been opened, however, until the LMS Team is in receipt of your Final Bank Claim (deadline 22 April) and you have been informed by LMS that you can perform a preliminary close the only transactions which can be processed in the new year are the placing of orders and the processing of direct central payments/receipts.   
  
Upon receipt of the final 2020-21 bank account claim, this will be reconciled to the LBC general ledger and confirmation that processing of local bank account entries in the new year can go ahead will be made by School Financial Advisers via the telephone. ***Schools will shortly receive notification of the 2021-22 income allocations into your bank account. These allocations will be paid into bank accounts on Thursday 1st April. Please do not enter the appropriate cash book journals onto FMS6 or HCSS until you have completed a final bank claim and have been advised to move ahead into the new financial year.***

If there are invoices that relate to the new financial year that must be paid before the completion of the final bank return, please follow the procedure below.

* Write a manual cheque to the supplier.
* Make a note of the cheque details (it may be useful to photocopy the cheque)
* Do not process the invoice on your accounting software.

Once confirmation has been received from the School Financial Adviser that new year bank entries can be processed, please process a cash book journal using the manual cheque number as a reference

It is imperative that any bank claim reports are produced at least 1 working day after any bank transactions (i.e. Cheque runs, cash book journals.) If any bank transactions are done on the same day as the production of the Bank Claim reports, then those transactions will be omitted from the reports. Therefore if your final old year bank claim ends on 21 April, your returns should be run on 22 April.

# 4.Final submission of year end balances

Please supply with your final March bank account reconciliation a Closure of Accounts form to verify the balances on your control accounts which should be prepared by the bursar/finance officer and authorised by a member of your school’s Senior Leadership Team. In addition, each proforma should be signed by the headteacher to confirm that the figures are an accurate representation of the school’s financial position and should state on which date the final accounts will be presented to the Governing Body.

# 5. Vat control accounts

Please supply with your final March bank account reconciliation a VAT control reconciliation which should be prepared by the bursar/finance officer and authorised by the headteacher.

6.Petty Cash  
  
All petty cash transactions relating to the 2020/21 financial year must be posted onto your accounting software before the submission of March bank account returns. In some cases last year this was not done and caused delays in closing the bank accounts in the old year. In addition, please ensure that the Petty Cash balance on the balances and reserves report is reconciled to the actual cash held within school and that any discrepancies are resolved.

# 7.CREDITORS FOR REVENUE EXPENDITURE

**For Scheme 1 and Fully Funded Bank Account Schools**

Final entries in respect of creditors and accruals should be entered onto your system by 21 April 2021, with a copy of your final summary trial balance being submitted to the LMS team no later than 22 April.

Summary lists of creditors and accruals should be submitted on the 28th March, copies of which are available from your school financial adviser. Please ensure that you use reversing journals only. The use of permanent journals is not permissible.

Please note that without a list of creditors/accruals your school’s accounts for 2020-21 cannot be closed.

## For Scheme 2 Bank Account Schools

Please ensure that wherever possible, invoices for goods and services received in 2020-21 are processed and included in the old year bank account claims. There will, however, be occasions where an invoice is received relating to 2020-21 after this date or where a supplier does not produce an invoice for some time after the delivery of goods or completion of work.

These items should be included on a creditor list, which can be obtained from your School Financial Adviser. These creditors’ lists should be returned by noon on 02 April. An accrual will be made in your 2020-21 accounts which will reverse in 2021-22.

NOTE: It is only goods or services which have been received by 31 March 2021 AND an invoice has not been processed for payment which can be entered on a Creditor list. This is the rule which the Council has to comply with, and which is closely scrutinised by external audit.

The minimum value for inclusion is £10,000 for all services and VAT should be excluded from the amounts entered. Accumulative totals based on similar types of expenditure (e.g. agency supply or energy), that is grouping multiple items which individually are below £10,000 but above £10,000 when grouped. The items must be of a similar nature, if not the accrual will be declined.

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# 8. Debtors

**For Scheme 1 and Fully Funded Bank Account Schools**

Final entries in respect of debtors and prepayments should be entered onto your system by 21 April 2021, with a copy of your final summary trial balance being submitted to the LMS team no later than 22 April.

***Summary lists of debtors and prepayments should be submitted by the 02 April 2021, copies of which can be obtained from your school financial adviser. Please ensure that you use reversing journals. The use of permanent journals is not permissible.***

***Please note that without a list of debtors/prepayments your school’s accounts for 2020-21 cannot be closed.***

## For Scheme 2 Bank Account Schools

You should try to ensure that wherever possible, income due to your school is processed and included in the old year bank account claim(s). Any income due to the school in respect of 2020 -21 for services or goods provided to 31 March 2021 not included on the March bank account claim **should** be entered on Debtor lists, which can be obtained from your School Financial Adviser. Please return these to the School Financial Adviser no later than noon on **02 April 2021.**

Please ensure that all income relating to 2020-21 is accounted for wherever possible in the old year bank account claim(s), but if this is not feasible you should ensure that you contact your School Financial Adviser who will arrange for an entry to be made in 2020-21, if the amount exceeds £10,000. VAT should be excluded from the amounts entered. Accumulative totals based on similar types of income (e.g. trip income), that is grouping multiple items which individually are below £10,000 but above £10,000 when grouped. The items must be of a similar nature, if not the debtor will be declined.

# 9.Car mileage claims/overtime/supply and casual claims (Scheme 2 Bank Account Schools only)

Any claims for March 2021 will be paid in April by the Council’s payroll department. These will not be posted back to the old year (this is a departure from previous years’ arrangements).

# 10.Consistent financial reporting

An interim consistent financial reporting return for 2020-21 should be entered onto Collect as soon as you have reconciled your final FIS, but by no later than 01 May 2021. Please also submit by email a copy of your provisional analysis of revenue balances form with associated backup evidence. These will then be checked and validated against central records by your school financial adviser. You will then be advised to finalise your financial year end closure and submit the final returns. In addition, please submit the relevant page from a summary trial balance in the new financial year (2021/22) on FMS6 which will allow us to verify that your Retained Earnings (RE) balances are correct.

# 11.Balances

## There are 5 balances in the CFR framework:

Three of these, B01, B02 and B06, relate to revenue balances arising from income relating to the first two sections of the CFR framework – Income (I01 – I18) and Expenditure (E01 – E32)

Balances in B03 and B05 are capital balances that are related to sections three and four of the CFR framework – Capital Income and Capital Expenditure.

*Please read carefully the Policy for the Support and Challenge Process for Schools with Surplus Balances. Uncommitted balances in excess of agreed thresholds may be subject to clawback from schools, after full consultation with the school and an examination of spending plans.*

B01 – Committed Revenue Balances – included within B01 should be the following:

* **Capital/Building and IT Works** – Any funds allocated for Capital/Building and IT Works will ***automatically*** be transferred to capital as a Revenue Contribution to Capital in the new financial year***.***
* Any unspent amount of Pupil Premium
* Any unspent amount of Universal Infant Free School Meal Grant
* Any unspent amount of PE and Sports Grant
* Outstanding Orders
* Unspent voluntary income/specific grant balances/balances relating to defined activities/parental donations
* Unspent partnership funding but only *if you are a fund holder school (Ashcroft High, The Meads Primary, Pirton Hill, Hillborough Junior, Wenlock Junior and St Matthew’s Primary).*

*Please note that supporting working documents for any items included within B01 should be produced and submitted to the LMS Team with your analysis of balances outturn form.*

## B02 – Uncommitted Revenue Balance

* Uncommitted revenue balances – representing the total revenue balance on your school software minus B01 committed revenue balances and minus B06 – Community Focused Extended School Balances
* B06 –Extended School Balance

This balance allows schools to separate out the balance carried forward for extended services and to enable schools to monitor whether any deficits exist in either core or extended services.

A final hard copy of the CFR return, together with the final analysis of balances form and accompanying documents should be submitted to your School Financial Adviser by *Friday 8 May at the very latest.* It is permissible to send in unsigned copies which are awaiting governing body approval.

*These documents should be presented to your full Governing Body meeting in the summer term for approval, copies of which should then be submitted to your School Financial Adviser, before the end of the academic year.*

|  |  |  |
| --- | --- | --- |
| 12. Year End Checklist |  | |
|  | | |  |  |  |
|  | | |  |  |  |
| **Description** | | | **Deadline** |  |  |
|  | | |  |  |  |
| **Housekeeping** | | |  |  |  |
| Chase outstanding cheques (6 months old) | | | 02/04/2021 |  |  |
| Chase outstanding order commitments | | | 02/04/2021 |  |  |
| Write off bad debts approved by Governing Body | | | 02/04/2021 |  |  |
|  | | |  |  |  |
| **Capital** | | |  |  |  |
| Revenue Contribution to Capital (RCCO) | | | 15/04/2021 |  |  |
|  | | |  |  |
| **Revenue** | | |  |  |  |
| Period 12 - Query Sheet | | | 10/04/2021 |  |  |
|  | | |  |  |  |
| Period 13 - Query Sheet | | | 02/05/2021 |  |  |
|  | | |  |  |  |
| Scheme 1 Bank Account Schools | | |  |  |  |
| **1st March Bank Return - to LMS** | | | 03/04/2021 |  |  |
|  | | |  |  |  |
|  | | |  |  |  |
|  | | |  |  |  |
| Petty Cash - Posted/Reconciled | | | 03/04/2021 |  |  |
|  | | |  |  |  |
| Creditors/Debtors - to LMS | | | 02/04/2021 |  |  |
| (Before Trial Balance is run) | | |  |  |  |
|  | | |  |  |  |
| **2nd March Bank Return - to LMS** | | | 22/04/2021 |  |  |
| also include the following :- | | |  |  |  |
| Closure of Accounts Form | | | 22/04/2021 |  |  |
| VAT Control Account Reconciliation | | | 22/04/2021 |  |  |
|  | | |  |  |  |
| Scheme 2 Bank Account Schools | | |  |  |  |
| 1st March Bank Return - to LMS via email | | | 03/04/2021 |  |  |
|  | | |  |  |  |
|  | | |  |  |  |
|  | | |  |  |  |
| Petty Cash - Posted/Reconciled | | | 03/04/2021 |  |  |
|  | | |  |  |  |
| 2nd March Bank Return - to LMS via email | | | 22/04/2021 |  |  |
| also include the following :- | | |  |  |  |
| Closure of Accounts Form | | | 22/04/2021 |  |  |
| VAT Control Account Reconciliation | | | 22/04/2021 |  |  |
|  | | |  |  |  |
| Creditors/Debtors lists - to LMS – by noon | | | 02/04/2021 |  |  |
|  | | |  |  |  |
| CFR | | |  |  |  |
|  | | |  |  |  |
| Interim CFR Report, entered onto Collect | | | 01/05/2021 |  |  |
|  | | |  |  |  |
| E-mail, copy of Provisional Analysis of Revenue Balance | | | 01/05/2021 |  |  |
| Form with back up evidence | | |  |  |  |
|  | | |  |  |  |
| Summary of Trial Balance showing Retained Earnings | | | 01/05/2021 |  |  |
| (RE) balances in the new financial year | | |  |  |  |
|  | | |  |  |  |
| Final CFR Report, Final Analysis of Balances Form with | | | 08/05/2021 |  |  |
| accompanying documents | | |  |  |  |
|  | | |  |  |  |
| Copy of CFR approved/signed by Governing Body | | | 01/07/2021 |  |  |
| **Accruals** | | | | | |
|  | |  | | | |
| **Debtor (Income)** | | **Creditor (Invoice)** | | | |
|  | |  | | | |
| Where a supply has been made by | | Where goods are received by | | | |
| 31st March but the invoice not | | 31st March but the invoice has not | | | |
| raised | | been received/paid | | | |
|  | |  | | | |
|  | |  | | | |
|  | |  | | | |
| **Journal Process** | | **Journal Process** | | | |
| Credit - Old Year | | Debit - Old Year | | | |
| Debit - New Year | | Credit - New Year | | | |
|  | |  | | | |
|  | |  | | | |
|  | |  | | | |
|  | |  | | | |
|  | |  | | | |
|  | |  | | | |
|  | |  | | | |
| **Pre-Payment** | | **Receipts in Advance** | | | |
|  | |  | | | |
| Where expenditure has been charged | | Where income has been received in | | | |
| to the 20/21 accounts but the | | the 20/21 accounts which relates | | | |
| supply is made after 31st March | | to 21/22 | | | |
|  | |  | | | |
| **Journal Process** | | **Journal Process** | | | |
| Credit - Old Year | | Debit - Old Year | | | |
| Debit - New Year | | Credit - New Year | | | |
|  | |  | | | |
|  | |  | | | |