

Guidance for Schools - Monthly Accruals and Prepayments

Our proposals for processing monthly accruals and prepayments have been approved by our auditors, Bishop Fleming. This guidance will outline the aims of these new procedures for the Trust, enable schools to understand what the Central Team will be processing on their behalf as well as ensure that schools are clear about their responsibilities at school level, and what action is required.

Aims:

- To meet the requirements of the Academies Financial Handbook
- Not to receive a negative observation from our external audit
- Not to create a disproportionate increase in workload for schools or the Central Team
- To create arrangements which improve the school and Central Team's ability to monitor their accounts and to project to the year end
- To ensure that income or expenditure over a de minimis value is recorded in the period it is incurred rather than the period it is actually received or paid.

Materiality:

Whilst the Academies Financial Handbook requires monthly accruals and prepayments, Bishop Fleming have confirmed that it is appropriate to set a materiality level for this and to only process transactions above this threshold. We have agreed that only transactions with a value over £12k per annum should be subject to monthly accruals and prepayments. For example, the costs of electricity of £1k per month or more and where the total cost in the year will be over £12k, will be subject to accruals.

Closing Periods on PSF:

As part of move towards processing monthly accruals and prepayments, it became apparent, that the fact that we did not previously close and/or restrict processing in periods in PSF, had the capacity to allow double entries.

It was therefore agreed that as part of our monthly accrual and prepayment processes, periods in PSF would be closed, which can be done relatively easily through changing security settings for PSF users. However, this will be done by amending security settings at key points in the month to allow a period of review before closing periods completely. Although this does not impact on the financial processing carried out at school level, it does require schools to undertake tasks in a timely manner and in accordance with the timetable outlined on page 8-9 and the actual dates for May 2022 onwards at Appendix C.

Income

Some income streams, such as GAG, are received on a monthly basis and therefore monthly accruals or prepayments are not required. Other income streams, such as pupil premium or lettings income, are received at various point during the year

and therefore monthly accruals may be required, if the values are material. **Appendix A** details each income nominal code and details whether monthly accruals may be necessary, and this list should be reviewed at school level.

Actions for the Central Team

In order to minimise the burden on individual schools, the Central Team will undertake monthly accruals for all of the necessary Government income streams, but schools will need to consider whether any accruals for school generated income for individual or cumulative agreements above the de minimis level of £12k per annum are required and complete the schedule request template at **Appendix B**. This will be required on a monthly basis in accordance with the schedule found at **Appendix C**

It is proposed that the Central Team will undertake the appropriate monthly transactions for the following funding streams:

- Pupil Premium
- Recovery Premium
- Pupil Growth
- PE/Sports Grant
- UIFSM

The Central Team will create and reverse the appropriate schedules each month to record the monthly income due in the correct period. This should mean that the income showing in your accounts is correct for the particular point in time throughout the year. This will, however, mean that additional transactions will show in PSF.

Below is an example for the pupil premium at transaction level, based on a pupil premium allocation of £12k per annum. **Please note that, in all examples, values in brackets are Credits.**

Proposed arrangements				
Period	Transaction type	Narrative	Value	Balance
0 - Opening Balance	Reversal of year end Accrued income schedule	Sept	£2,000	£2,000
1 - September	Accrued income schedule	Sept	£(3,000)	£(1,000)
2 - October	Reversal of Sept schedule	Oct	£3,000	£2,000
2 - October	Income received	July, Aug & Sept	£(3,000)	£(1,000)
2 - October	Accrued income schedule	Oct	£(1,000)	£(2,000)
3 - November	Reversal of Oct income schedule	Nov	£1,000	£(1,000)

3 - November	Accrued income schedule	Nov	£(2,000)	£(3,000)
4 - December	Reversal of Nov schedule	Dec	£2,000	£(1,000)
4 - December	Accrued income schedule	Dec	£(3,000)	£(4,000)
5 - January	Reversal of Dec schedule	Dec	£3,000	£(1,000)
5 - January	Income received	Oct, Nov & Dec	£(3,000)	£(4,000)
5 - January	Accrued income schedule	Jan	£(1,000)	£(5,000)
6 - February	Reversal of Jan schedule	Feb	£1,000	£(4,000)
6 - February	Accrued income schedule	Feb	£(2,000)	£(6,000)
7 - March	Reversal of Feb schedule	Mar	£2,000	£(4,000)
7 - March	Accrued income schedule	Mar	£(3,000)	£(7,000)
8 - April	Reversal of Mar schedule	Apr	£3,000	£(4,000)
8 - April	Income received	Jan, Feb & Mar	£(3,000)	£(7,000)
8 - April	Accrued income schedule	Apr	£(1,000)	£(8,000)
9 - May	Reversal of April schedule	May	£1,000	£(7,000)
9 - May	Accrued income schedule	May	£(2,000)	£(9,000)
10 - June	Reversal of May schedule	Jun	£2,000	£(7,000)
10 - June	Accrued income schedule	June	£(3,000)	£(10,000)
11 - July	Reversal of June schedule	June	£3,000	£(7,000)
11 - July	Income received	Apr, May & June	£(3,000)	£(10,000)
11 - July	Accrued income schedule	July	£(1,000)	£(11,000)
12 - August	Reversal of July schedule	Aug	£1,000	£10,000)
12 - August	Accrued income schedule	Aug	£(2,000)	£(12,000)

Actions for Schools

Appendix A details each income nominal code and details whether monthly accruals may be necessary. For example, this may include lettings income, but will exclude on-off donations. It is proposed that schools consider any significant locally agreed income streams that are greater than the proposed de minimis level of £12k pa. ***To minimise accruals, please ensure that where possible, sales invoices are recorded on PSF in the month the income is due.*** i.e. a lettings

invoice for October should be recorded on PSF for October. In such cases, no accrual will be required. Where an accrual is necessary, schools are asked to complete the schedule request template attached at **Appendix B** and this will be processed by the Central Team. The impact of this should mean that the income showing in your accounts is correct for the particular point in time throughout the year. This will, however, mean that additional transactions will show in PSF.

Schedule request templates should be returned to lspfinance@lsp.org.uk on a monthly basis in accordance with the schedule outlined at Appendix C.

Expenditure

Some items of expenditure, such as salaries, are paid on a monthly basis and therefore monthly accruals or prepayments are not required. Other items of expenditure, such as some compliance contracts or the pension deficit, are received at various point during the year and therefore monthly accruals may be required, if the values are material. Additionally, some items of expenditure such as electricity are paid monthly, but it is likely that the invoice will be received and added to PSF after the month end - this means that this will need to be processed as accrued expenditure on a monthly basis using an estimate value, but only for those larger schools where each electricity monthly invoice is likely to be more than £1k. Appendix A details each expenditure nominal code and details where monthly accruals may be necessary.

Actions for the Central Team

In order to minimise the burden on individual schools, it is proposed that the Central Team will undertake monthly accruals wherever possible and that schools will need to identify accruals for individual agreements above the de minimis level of £12k per annum.

It is proposed that the central team will undertake the appropriate monthly transactions for the following items of expenditure:

- LGPS pension deficit

The Central Team will create and reverse the appropriate schedules each month to record the monthly expenditure due in the correct period. This should mean that the expenditure showing in your accounts is correct for the particular point in time throughout the year. This will, however, mean that additional transactions will show in PSF.

Below is an example for Absence Insurance at transaction level, based on an annual cost of £12k per annum and where the invoice is paid in September.

Proposed arrangements				
Period	Transaction type	Narrative	Value	Balance
1 - September	Invoice paid	Sept	£12,000	£12,000
1 - September	Pre-payment	Sept	£(11,000)	£1,000
2 - October	Reversal of Sept pre-payment	Oct	£11,000	£12,000
2 - October	Pre-payment	Oct	£(10,000)	£2,000
3 - November	Reversal of Oct pre-payment	Nov	£10,000	£12,000
3 - November	Pre-payment	Nov	£(9,000)	£3,000
4 - December	Reversal of Nov pre-payment	Dec	£9,000	£12,000
4 - December	Pre-payment	Dec	£(8,000)	£4,000
5 - January	Reversal of Dec pre-payment	Dec	£8,000	£12,000
5 - January	Pre-payment	Jan	£(7,000)	£5,000
6 - February	Reversal of Jan pre-payment	Feb	£7,000	£12,000
6 - February	Pre-payment	Feb	£(6,000)	£6,000
7 - March	Reversal of Feb pre-payment	Mar	£6,000	£12,000
7 - March	Pre-payment	Mar	£(5,000)	£7,000
8 - April	Reversal of Mar pre-payment	Apr	£5,000	£12,000
8 - April	Pre-payment	Apr	£(4,000)	£8,000
9 - May	Reversal of April pre-payment	May	£4,000	£12,000
9 - May	Pre-payment	May	£(3,000)	£9,000
10 - June	Reversal of May pre-payment	June	£3,000	£12,000
10 - June	Pre-payment	June	£(2,000)	£10,000
11 - July	Reversal of June pre-payment	July	£2,000	£12,000
11 - July	Pre-payment	July	£(1,000)	£11,000
12 - August	Reversal of July pre-payment	Aug	£1,000	£12,000

We have included below a further example for expenditure at transaction level, based on an annual cost of £12k per annum and where the invoice is due in January.

Proposed arrangements				
Period	Transaction type	Narrative	Value	Balance
1 - September	Accrued expenditure	Sept	£1,000	£1,000
2 - October	Reversal of Sept accrual	Oct	£(1,000)	£0
2 - October	Accrued expenditure	Oct	£2,000	£2,000
3 - November	Reversal of Oct accrual	Nov	£(2,000)	£0
3 - November	Accrued expenditure	Nov	£3,000	£3,000
4 - December	Reversal of Nov accrual	Dec	£(3,000)	£0
4 - December	Accrued expenditure	Dec	£4,000	£4,000
5 - January	Reversal of Dec accrual	Dec	£(4,000)	£0
5 - January	Invoice paid (on PSF)	Jan	£12,000	£12,000
5 - January	Pre-payment	Jan	£(7,000)	£5,000
6 - February	Reversal of Jan pre-payment	Feb	£7,000	£12,000
6 - February	Pre-payment	Feb	£(6,000)	£6,000
7 - March	Reversal of Feb pre-payment	Mar	£6,000	£12,000
7 - March	Pre-payment	Mar	£(5,000)	£7,000
8 - April	Reversal of Mar pre-payment	Apr	£5,000	£12,000
8 - April	Pre-payment	Apr	£(4,000)	£8,000
9 - May	Reversal of April pre-payment	May	£4,000	£12,000
9 - May	Pre-payment	May	£(3,000)	£9,000
10 - June	Reversal of May pre-payment	June	£3,000	£12,000
10 - June	Pre-payment	June	£(2,000)	£10,000
11 - July	Reversal of June pre-payment	July	£2,000	£12,000
11 - July	Pre-payment	July	£(1,000)	£11,000
12 - August	Reversal of July pre-payment	Aug	£1,000	£12,000

In addition, the Central Team will process recharges between the Central Team and Schools on a monthly basis. This includes the Core Services Charge and any recharges for services provided to or from schools e.g. service level agreements or secondments.

The Central Team will, as centrally-procured contracts are renewed, review the billing arrangements to ensure that we strike the right balance between only paying for what is delivered and minimising the administrative burden on schools.

Actions for Schools

Appendix A details each income nominal code and details whether monthly accruals may be necessary for schools to undertake. It is proposed that schools

consider any items of expenditure that are greater than the proposed de minimis level of £12k pa. Where this is the case schools are asked to complete the schedule request template attached at **Appendix B** on a monthly basis and this will be processed by the Central Team. The impact of this should mean that the expenditure showing in your accounts is correct for the particular point in time throughout the year. This will, however, mean that additional transactions will show in PSF.

Please note that where you have a Purchase Order set up for an invoice that does not get processed before the deadline and where its value requires an accrual to be processed, the commitment will not be included in the management accounts and therefore accruing for the invoice does not mean that there is a double entry. However, the commitment **will** show in Budget Holder reports. Although it is unlikely that many accrued invoices will be against the cost centres where budget holder reports are required to be produced, it may be necessary to download budget holder reports into Excel from PSF and manually remove the double entries.

Schedule request templates should be returned to lspfinance@lsp.org.uk on a monthly basis in accordance with the schedule outlined at Appendix C.

Timetable for Monthly tasks

To enable accurate management accounts, security settings on PSF will be adjusted as outlined below, although a schedule of actual dates for May to August 2022 are attached at Appendix C allowing for weekends, school holidays and year end.

We do recognise that restricting financial processing for a period will determine when schools will be required to undertake certain monthly tasks. However, this will enable schools and the Trust to report on the actual income received and actual expenditure paid for a month as at a certain period. For example, the nominal balance on PSF up to the end of a period will match the balance on the Actual column on your budget monitor on Orovia.

Working Day of the month	Security Setting	Processing allowed	Comments
1 - 4	3	All transactions are possible	Schools should try and process all documents for previous month by deadline including credit card transactions. We recognise that Amazon invoices can be a different value than

			the original order and these can be entered into the next month if the values are not material. Please do not wait until the Credit Card statement is received before adding individual transactions to PSF wherever possible so that transactions are reflected in the accounts in the month in which they are incurred.
5 - 8	5	Invoices, credit notes and sales invoices can no longer be processed, but journals can still be actioned by schools to enable a period of review and adjustment. Schools should also identify any accrual and prepayment journals required for Central Finance Team processing as outlined in the Guidance for Schools and return the template to LSP Finance for processing (For example, if an invoice is over the de minimis value has not been processed for the month it covers, the invoice should be added to next month and added to the schedule as accrued expenditure). The Finance Team will ensure that all income in Bank is processed during this period including transfers of CCV account balances on the last Friday of	Any invoices, credit notes and sales invoices not processed by the deadline should be added to the next period. Contrary to previous advice, schools should now record the actual date on the invoice/credit note, but use the next available period, but care should be taken to select the correct year. Where values are over the de minimis value of £12k per annum, they should be added to the Accruals and Prepayment Schedule and sent to LSPfinance@lsp.org.uk for processing. Schools should clear their 9316 account as far as possible. There may be the rare occasion where a late entry by the Central Team is needed. Where these values are less than the de minimis amount, they can be processed by schools in the next month to clear the suspense account. If the values are over the de minimis amount, then the team will communicate with you to post the transactions in the correct

		each month. Payroll journals will be uploaded to PSF.	account and a schedule entry made for you by the Central Team on your behalf.
9-10	5	Finance Team will process monthly accruals and pre-payments identified by schools and upload budget monitors to Orovia.	The account balances on PSF for a certain period will match the Actual values on budget monitors on Orovia.
11 - 25	8	Schools to undertake budget monitoring as required. Schools will not be able to make any journal entries in the previous period on PSF.	Any additional journals identified as part of budget monitoring exercise should be made in the next month and manual adjustments made to Orovia for budget monitoring purposes.
26 - month end	9	Budget monitors marked for central (according to Annual Planner). Period closed for all users including Central Finance Team.	

	Accrual / prepaym ent require	Primary, secondary or Primary & Secondary	Reason	Central team c school
1090 - Other Income: Self Generated	Yes	S	For any individual agreements greater than £12k pa deminimis level	School
1098 - Other income - service level agreements	Yes	S	For any individual agreements greater than £12k pa deminimis level	School
1105 - Lettings Income	Yes	P&S	For any individual agreements greater than £12k pa deminimis level	School
1110 - School House Lettings Income	Yes	P&S	For any individual agreements greater than £12k pa deminimis level	School
1120 - Staff Services - Consultancy	Yes	P&S	For any individual agreements greater than £12k pa deminimis level	School
1124 - Staff Services - Supply	Yes	P&S	For any individual agreements greater than £12k pa deminimis level	School
1127 - Teaching School - direct programme	Yes	P&S	For any individual agreements greater than £12k pa deminimis level	School
1128 - Teaching School - courses	Yes	P&S	For any individual agreements greater than £12k pa deminimis level	School
3012 - Premises Compliance contracts	Yes	P&S	For any individual contracts greater than £12k pa deminimis level	School
3010 - Grounds Maintenance - Contract	Yes	S	For any individual contracts greater than £12k pa deminimis level	School
3105 - Cleaning Contract	Yes	P&S	For any individual contracts greater than £12k pa deminimis level	School
3200 - Water/Sewerage Charges	Yes	S	If over £12k pa deminimis level	School
3205 - Gas	Yes	P&S	If over £12k pa deminimis level	School
3210 - Electricity	Yes	P&S	If over £12k pa deminimis level	School
3215 - Oil	Yes	P&S	If over £12k pa deminimis level	School
3220 - Rent	Yes	P&S	If over £12k pa deminimis level	School
3125 - Refuse Disposal	Yes	P&S	For any individual contracts greater than £12k pa deminimis level	School
3330 - Health and Safety	Yes	P&S	For any individual contracts greater than £12k pa deminimis level	School
5145 - General Office Costs	Yes	P&S	For any individual contracts greater than £12k pa deminimis level	School
4001 - Educational Resources	Yes	P&S	For any individual contracts greater than £12k pa deminimis level	School
4002 - Home to school transport	Yes	P&S	For any individual contracts greater than £12k pa deminimis level	School
4004 - Reprographics - Educational	Yes	P&S	For any individual contracts greater than £12k pa deminimis level	School
4025 - Photocopying	Yes	P&S	For any individual contracts greater than £12k pa deminimis level	School
4135 - Professional Services - Educational	Yes	P&S	For any individual contracts greater than £12k pa deminimis level	School
4140 - Subscriptions	Yes	P&S	For any individual contracts greater than £12k pa deminimis level	School
4160 - Reprographic - Leases (Faculty)	Yes	P&S	For any individual contracts greater than £12k pa deminimis level	School
5100 - Catering Contract	Yes	P&S	For any individual contracts greater than £12k pa deminimis level	School
5121 - Leases - Non Educational	Yes	P&S	For any individual contracts greater than £12k pa deminimis level	School
5125 - Subscriptions - Admin	Yes	P&S	For any individual contracts greater than £12k pa deminimis level	School
5135 - IT Support Services	Yes	P&S	For any individual contracts greater than £12k pa deminimis level	School
5310 - IT Licensing	Yes	P&S	For any individual contracts greater than £12k pa deminimis level	School
3265 - Absence and Maternity Insurance Costs	Yes	P&S	For any individual contracts greater than £12k pa deminimis level	School
4008 - Pupil FSM (UIFSM & KS2)	Yes	P&S	For any individual contracts greater than £12k pa deminimis level	School
5000 - Catering Food/Drink	Yes	P&S	For any individual contracts greater than £12k pa deminimis level	School
5005 - Catering Maintenance & Repairs	Yes	P&S	For any individual contracts greater than £12k pa deminimis level	School
5140 - Professional Services - Non Educational	Yes	P&S	For any individual contracts greater than £12k pa deminimis level	School

The same form should be used for each monthly return (in excel format) adding new values for the following month on a month-by-month basis. This will help see the pattern of monthly accruals and prepayments required.

Appendix B									
Please read Guidance on Monthly Accruals and Prepayments before completing									
DE MINIMIS VALUE IS £12,000 PER ANNUM									
SCHOOL:									
INCOME (LIKELY TO BE MINIMAL IF SALES INVOICES ARE RECORDED IN PSF ON A MONTHLY BASIS)									
DEFERRED INCOME: Income received in previous month for services not yet delivered									
Debit in previous month/Credit in next month									
Source of funding	Total annual income	Period Covers (if applicable)	Narrative	Nominal Code	Cost Centre	May	June	July	Aug
Football club pitch hire	18000	01/09/21-31/05/22	Customer name	XXX1105	EX223				
Lettings income	12000	01/09/21-31/08/22	Customer name	XXX1105	EX223				
ACCRUED INCOME: Income due for services delivered in previous month but not yet received									
Credit in previous month/Debit in next month									
Source of funding	Total annual income	Period Covers (if applicable)	Narrative	Nominal Code	Cost Centre	May	June	July	Aug
Football club pitch hire	18,000	01/09/21-31/05/22	Customer name	XXX1105	EX223				
Lettings income	12,000	01/09/21-31/08/22	Customer name	XXX1105	EX223				
EXPENDITURE (EXCLUDE INVOICES PAID IN THE MONTH THEY ARE DUE)									
PRE-PAYMENTS: Goods/Services paid for in previous month but to be provided in future month									
Credit in previous month/Debit in next month									
Description	Total annual expenditure	Period Covers (if applicable)	Narrative	Nominal Code	Cost Centre	May	June	July	Aug
Staff Absence Insurance	12,000	01/09/21-31/08/22	Education Broker	XXX3265	EX142				
ACCRUED EXPENDITURE: Goods/Services received by previous month but will be paid for in future month									
Debit in 20/21/credit in 21/22									
Description	Total annual expenditure	Period Covers (if applicable)	Narrative	Nominal Code	Cost Centre	May	June	July	Aug
Electricity	24,000	01/09/21-31/08/22	EDF	XXX3210	EX214				
Staff Absence Insurance	12,000	01/09/21-31/08/22	Education Broker	XXX3265	EX142				

Schedule for Closing Periods on PSF - 2021/22

Task deadline	PSF Security Setting	MAY	JUNE	JULY	AUG
Closure of period for Invoices, Credit notes, Sales invoices and Credit Card transactions	3	5	8	6	4
Deadline for Schedule Request return to be returned to LSPfinance@lsp.org.uk	5	6	10	8	9
Deadline for schools to clear 9316 account & action other journals	5	10	14	12	11
Deadline for Central Team to process monthly accruals	8	10	14	12	11
Central Team to upload budget monitor	8	11	15	13	12
Deadline for budget monitor to be marked for review	8	20	N/A	N/A	N/A
Period closed for all users	9	26	28	26	26
Deadlines and dates for changes of PSF Security settings for September 2023 onwards will be confirmed asap					