**Title of report: Schools Working Party Update**

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**Officer to present the paper to Schools Forum:** Nikki Parsons

**Details on who has been consulted with on this paper to date:**

Schools Working Party (including Extended Group)

**Executive Summary**

This report is to update Schools Forum on the progress of the Schools Working Party

**Details of recommendations and timescales for decisions:**

Schools Forum is asked to:

● Note the contents of the report

1. **Background**
   1. At the previous Schools Forum meeting in June 2022, it was agreed that representatives from the Headteachers Group (HTG) would work alongside officers to investigate the concerns raised over the reported schools’ balances and to continually improve the year-end closure of accounts process.

* 1. A Schools Working Party was already in place, consisting of Schools Finance Officers and School Business Managers (SBMs) representative across the different types of school settings and finance systems.
  2. Officers took the decision to supplement this existing group with an Extended Schools Working Party, so that representatives from the HTG could be invited to discuss the issues and feed into the improvement process, along with colleagues from the Corporate Accountancy Team.

1. **Extended Working Party Update**
   1. The Extended Working Party met on 18th July 2022.
   2. The Chief Accountant gave a brief presentation on the audit scrutiny of the Council’s prior years’ accounts and in particular the issues around schools. This included:

* The correct valuation of assets
* Academy conversions been missed
* Accuracy of Schools returns completed in line with guidance
* Schools’ capital grants
  1. An update was given as to the progress already made during 2021-22 in relation to the schools’ financial processes as part of the Finance Improvement Plan. This included:
* Documenting schools’ end-to-end process
* Improvements to the Year-end Template
* Year-end Workshops and drop-in training sessions for SBMs and other interested parties
* Quality Checking of Schools year-end submissions
  1. Feedback was then given by the SBMs and Schools Finance officers.
  2. Representatives from the HTG were then invited to raise their concerns and a number of actions were flagged to be taken forward based on these discussions. A summary of these concerns and resulting actions are reported in Appendix 1.
  3. It was agreed that the existing Schools Working Group would continue to meet half termly to continue the detailed improvement work and that the Extended Working Party would meet once a term for an update.
  4. This cycle of meetings would continue for this year and reviewed after 2022-23 year-end.

**Appendix 1**

**Extending Working Party Concerns and Actions**

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| **Concern** | **Action** |
| Officers Remuneration Disclosure included National Insurance Contributions (NIC) | Schools Finance stripped out the NIC element in the 2021/22 returns. The Year-end template and guidance will be reviewed and updated for 2022/23 to provide greater clarity to schools. |
| Treatment and terminology of Accruals | Discussed at the following Schools Working Party in September. This was around the treatment of trade creditors, VAT and supporting documentation. A statement has subsequently been issued by the Chief Accountant and is annexed to this report |
| The accruals de minimis threshold of £10k per CFR code | Discussed at the following Schools Working Party in September. Good housekeeping reduces the issue at year-end and can be recorded as committed balances on the Assignment of Revenue Balances. Examples which fell below the threshold in 2021/22 are to be provided to schools’ finance so the extent of this issue can be reviewed and addressed |
| CFR coding issues | Grant income codes have already been corrected in line with CFR guidance for 2022/23. A drop-in training session on CFR classifications in planned for later in the year. |
| Year-end Template design | Lessons learnt from 2021/22 have been logged and improvements will be incorporated into the re-design for 2022/23. The revised template will be circulated to the Schools Working Party for review and comment |
| Level of Surplus Balances | Schools uncommitted and committed balances are already reported separately. |
| SEN funding improvements | Schools Finance are to meet with the SEN team to formalise a process and timeline which will then be made available to schools. Planned additional SEN resource is being sought to support the existing team. |

**Annex 1 - Treatment of Trade Creditors in accordance with Tower Hamlets Closure of Accounts Guidance**

Schools Accounts are consolidated within the Council’s Statement of Accounts. Their preparation must be consistent and in line with the Council’s accounting policies and Closure of Accounts Guidance. This is based on ‘The Accounts and Audit regulations 2015’ act and the ‘**CIPFA – Code of Practice on Local Authority Accounting in the United Kingdom 2021/22’,** which specifies the principles and practices of accounting required to prepare a Statement of Accounts which ‘presents truly and fairly’ the financial position and transactions of a local authority.

Section 7 of the Closing Procedure Guide 2021/22 covers the concept of Accruals, whereby income and expenditure are recognised when earned and incurred respectively, not as cash flows between the parties to the transaction.

As per the guidance, the following accruals are required:

• **Sundry creditors**: accrual for services or goods received in 2021/22 but paid for in 2022/23

• **Payments in advance**: accrual for payments made in 2021/22 for services/goods to be received from suppliers in 2022/23.

• **Sundry debtors**: accrual for income earned on services provided in 2021/22 but where the invoice will be raised, or cash received in 2022/23;

• **Receipts in advance**: accrual for cash received in 2021/22 for services/goods to be provided to customers in 2022/23.

The terminology which has been referred to by external parties for schools’ accounts as “Trade Creditors” is covered by the first accrual type stated above – **Sundry Creditors**. The goods or service has been received in 2021/22 but the payment was not made until 2022/23. At the point of year-end cut-off the invoice was pending payment and therefore must be accrued. In raising a creditor, the VAT element of any potential invoice must be excluded since the Council reclaims such sums back from H. M. Revenue and Customs (the council/schools are acting as agents on behalf of HMRC).

Sundry creditor transactions alter the Council’s statutory accounts. Each directorate must produce a listing of all accruals raised for that directorate. The listing will need to be cross-referenced and fully evidenced by supporting documentation for each accrual i.e.an invoice, an order, a timesheet (for agency staff) etc. which is required for audit purpose. Further, the basis of calculating the accrual must be made clear, if not self-evident from the supporting document. This is also a requirement for all sundry creditors raised by Schools, which are consolidated into the Council’s Statement of Accounts.

Any treatment of transactions not in accordance to the above will be instructed to be adjusted for so it is in line with the above guidance, otherwise the council will be open to audit scrutiny and will lead to audit correction adjustments being required to schools’ accounts as part of the external audit review process.

Ahsan Khan

**Head of Strategic Finance (Chief Accountant)**

**London Borough of Tower Hamlets**