Provisional Year End Adjustments
Briefing Note

For Finance & Governance Committee 21 April 2022

1. Background

Local authorities are required to submit the Annual Governance and Accountability Return (AGAR) for the financial year ended on 31 March to the external auditor by 30 June each year. The AGAR is completed using the financial accounting information recorded on the Rialtas Business Solutions (RBS) system and is subject to review by an internal auditor. The internal audit date for the Parish Council is Wednesday 4 May 2022.

As the Parish Council's income and expenditure exceed £200,000, the accounts are maintained on an income and expenditure basis (as required). This means that at the year-end, adjustments must be made to allow for amounts owed but not yet paid for the previous year, and amounts received in advance for the following financial year.

*(Note – this accounting method applies for the Parish Council, but **not** the Village Centre due to the lower turnover levels.)*

2. Year-end adjustments

Each month the Parish Council's Finance & Governance Committee monitors and reviews income and expenditure by Committee, and for the Parish Council overall. After completing the normal monthly processes for March, the year-end adjustments are made to show an accurate position for the end of the financial year.

These adjustments show as negative balances on the accounts at the start of the following financial year and are gradually cleared as the payments are made and/or received. Therefore, you will see some negative figures in reports for the early months of the following year until all the previous year's adjustments are settled.

The Parish Council primarily pays its suppliers and contractors in one of two ways – either through regular monthly/quarterly invoicing for ongoing services (creditors) or through one-off payments authorised by the issue of a works or purchase order (accruals).

Accruals - Approved works and purchase orders where the work has not taken place and/or been invoiced for at the financial year-end are recorded as accruals. These amounts increase the expenditure for the financial year. The outstanding work from 2021/22 is as follows:

Code	Centre	Amount £	Description
5720	201	1,124	South Avenue Cemetery Chapel, Stained Glass Windows
5720	201	885	South Avenue Cemetery Chapel, Stone Windowsill Repair
5440	204	300	Street Light Repair, Wickham Hill (estimate)
		2,309	

Creditors – Outstanding amounts owed to regular suppliers are recorded as creditors at the year-end. These amounts increase the expenditure for the financial year and are as set out below:

Code	Centre	Amount £	Description
5350	101	124.18	Phone and broadband supply (March 22)
5010	211	750.00	Court Bushes Electricity (March 2022)
5370	101	4.14	Google Ireland Venue Calendar (March 2022)
5220	101	300.00	Internal Audit 2021/2
5220	101	800.00	External Audit 2021/2
5010	204	100	Street Lights Electricity (March 2022)
5010	201	20.00	Cemetery Chapel Electricity (March 2022)
5010	206	265.00	Trinity Road Toilets Electricity (March 2022)
5010	206	265.00	Pitt Lane Toilets Electricity (March 2022)
5020	202	125.00	South Avenue Waste Collection (March 2022)
5020	210	325.00	Hurst Meadows Waste Collection (March 2022)
5360	101	94.00	Tech Quarters MS Licences (Feb 2022)
5130	101	278.46	WSCC Payroll Costs (Oct-Mar 2022)
		3450.78	

Debtors – Any outstanding amounts due to the Parish Council which remain unpaid at the year-end are recorded as debtors. These amounts increase the income for the financial year. There are none for 2021/2022.

Receipts in Advance - Any amounts paid to the council in advance for the next financial year are recorded as receipts in advance. These amounts reduce the income for the financial year. There are none for 2021/2022.

3. Transfers to and From Earmarked Reserves (EMRs)

In addition to the year-end adjustments listed above, eight EMR transfers have been completed at the financial year end as agreed at the 24 March 2022 Council meeting (Minute C21/22.138.3).

Transfers from Cost Centres to EMRs

A new EMR called South Avenue (335) has been created using the surplus balance from the general admin miscellaneous code (3500-101) made available from the balance of the South Avenue Easement receipt. This has created an initial balance on the EMR of £33,673.46 to be used to fund resurfacing, tree work and pavement improvements.

A second new Professional Support EMR (345) has been created to cover the cost of legal fees, District Plan review support or employee TUPE support in the new financial year, and an amount of £5,826 has been added to the EMR from the underspend on staff and councillor training and professional support codes.

A third new EMR for Hurst Meadows Access (355) has been created using the surplus balance primarily from Highways & Byways (207) and Services (213) cost centres to support costs associated with any new land acquired in the Hurst Meadows vicinity, outside the remit of the Section 106 funds. A transfer of £3,823 has been added to the new EMR.

A fourth new EMR has been created for Health and Wellbeing projects (391) of £1,000 from the 5650-301 code for the community midwife project. This was originally planned to be managed via the accrual process but the advice from Mulberry & Co was to account for this as an EMR.

An underspend/over-recovery of income on the Cemetery cost centre (201) generated a surplus of £12,681 to be transferred to the Cemetery EMR (320) be used to fund future cemetery works. This EMR now has a balance of £23,244.

In addition, a further £7,000 was able to be transferred to the Court Bushes Sinking Fund to bring the total EMR balance to £21,000 following three years of operation.

Transfers from EMR to Cost Centres

On the reverse side, costs of £1,874.01 to cover the leasing of the new works van for Sept 2021-Mar 2022 were transferred from the Vehicles EMR (311) to Vehicles and Machinery code (5480-212). This reduces that EMR balance to £5,661.

Finally, the regular quarterly transfer from the Hurst Meadows S106 EMR for quarter 4 of 2021/2022 of £2,140.98 from codes 5410-210 (Grounds Maintenance) and 5550-210 (Trees) and ensures that all Hurst Meadows expenditure has been covered by the EMR for the year. This reduces that balance to £332,865.

4. General reserve

The council adopted a reserves policy which agreed the following objective in terms of the general reserve:

Hurstpierpoint and Sayers Common Parish Council aim to maintain the general reserve at a minimum of 3 months net revenue expenditure (NRE) and review this level at least annually as part of the budget setting process.

**NRE is defined as the precept less any loan repayments and/or amounts included for capital projects and transfers to earmarked reserves.*

For 2022/23, the calculation to find the NRE equates to:

Precept	£281,608
Less: loan repayments	£0
Less: Budgeted capital projects	£0
Less: Budgeted EMR transfers	£7,000 (Court Bushes Sinking Fund)
Equals NRE	**£274,608**

Three months of this figure equates to £68,652.

Subject to internal audit at 31 March 2022, the Parish Council will have a general reserve (310) of £68,652. The Committee was previously advised that this figure was £70,402, so there is a further £1,750 available to transfer to the EMR for Hurst Meadows as agreed at Council on 24 March 2022 (Minute C21/22.145).

5. Earmarked Reserves at 31 March 2022

The Parish Council may choose to adjust any of the existing EMR's further to either reduce the General Reserve or increase the General Reserve to support the planned projects in 2022/2023.

As a reminder, the existing EMR's as shown on the 31 March 2022 Balance Sheet (including the new ones set out above) are:

Earmarked Reserves at 31 March 2022

Code	Description	Balance
311	Maintenance Van and Equipment	£5661
320	Cemetery	£23,244
330	IT equipment	£506
335	South Avenue	£33,673
345	Professional Support	£5826
350	Hurst Meadows S106	£332,865
355	Hurst Meadows Access	£3823
360	Millennium Gardens	£10,000
380	Court Bushes Sinking Fund	£21,000
390	Youth Facilities	5000
391	Health and Wellbeing Project	1000
395	Christmas Lights	2000

The extra £1,750 available following the re-calculation of the General Reserve at 31 March 2022 will be added to the Hurst Meadows Access EMR which will increase that balance to £5,573.

Recommendation: In order to complete the year end accounts for 1 April 2021 to 31 March 2022 the Committee is asked to:

i. **NOTE the adjustments made at the year end for accruals and creditors;**

ii. **NOTE the adjustments made to the earmarked reserves as agreed at the 24 March 2022 Council meeting (Minute C21/22.138.3);**

iii. **AGREE retrospectively the creation of a new EMR for Health and Wellbeing projects (391) of £1,000 from the 5650-301 code for the community midwife project. This was originally planned to be managed via the accrual process but the advice from Mulberry & Co was to account for this as an EMR; and**

iv. **NOTE the extra £1,750 available following the re-calculation of the net revenue expenditure and General Reserve at 31 March 2022 will be added to the Hurst Meadows Access EMR as agreed at Council on 24 March 2022 (Minute C21/22.145), which will increase that balance to £5,573.**