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STEPPING INTO LOCAL GOV FINANCE: ACCOUNTING BASICS FOR CLERKS & RFO'S

HANNAH DRIVER



INTRODUCTION TO LOCAL COUNCIL ACCOUNTING



Scribe

LOCAL COUNCIL ACCOUNTING



What is a parish (town) council?

- Elected body at the first level of local government. Makes decisions on behalf of the parish and has a wide range of powers relating to local matters.

Considerations:

- Transparency
- Efficient provision of services
- Setting of Precept
- Management of reserves

LOCAL COUNCIL ACCOUNTING



Every local authority is required to appoint an officer to be responsible for the administration of their council's financial affairs (RFO) who should be a paid employee of the council.

Responsibilities of the RFO:

- Follow proper financial procedures
- Have internal control/audit systems
- Report to the council on spending and the current position
- Complete the AGAR for the year 1st April - 31st March

WHICH ACCOUNTING APPROACH?



Receipts & Payments

Receipts and Payments accounts is a simple form of accounts in that it records the receipts and payments at the time at which they were received/paid.

Income & Expenditure

Income & Expenditure accounts considers the period to which the transactions relate to, rather than simply when they occurred.

WHICH ACCOUNTING APPROACH?



Councils less than £200k = Receipts & Payments accounts.

Councils £200k - £15million = Income & Expenditure accounts.

- Smaller councils can opt to use I&E
- If moving between approaches beware requirement to restate the prior year



GOOD PROCEDURES TO KEEP ON TOP OF YOUR ACCOUNTS



THE CASHBOOK

The cashbook is the most important accounting record for local councils.

Considerations when collating your accounts:

- Regularly record payments & receipts (split out VAT)
- Full audit trail
- Regular bank recs to confirm data is correct
- Can you produce timely & useful information easily?

Is your accounting system fit for purpose? Do you need training on it? Does it suit the needs of your council?



Bank Reconciliation at 31/05/2025			
	Cash in Hand 01/04/2025		85,148.75
	ADD Receipts 01/04/2025 - 31/05/2025		4,445.11
			89,593.86
	SUBTRACT Payments 01/04/2025 - 31/05/2025		1,782.00
A	Cash in Hand 31/05/2025 (per Cash Book)		87,811.86
	Cash in hand per Bank Statements		
	Petty Cash 31/01/2025	192.41	
	Current Account 31/05/2025	70,265.82	
	Deposit Account 30/04/2025	17,134.08	
	Charge Card 30/04/2025	119.55	
			87,711.86
	Less unrepresented payments		
			87,711.86
	Plus unrepresented receipts		100.00
B	Adjusted Bank Balance		87,811.86
	A = B Checks out OK		

THE CASHBOOK



How to structure your cashbook:

- Base it on your council budget/precept breakdown
- Allocate payments and receipts out to budget codes
- Group codes together that require reporting on e.g. Village Hall

Could it be Improved upon?

- Consider adding additional codes to analyse the data further
- Record more information to make it easier to refer to

Scribe Parish Council
Summary of Receipts and Payments
 Cost Centre Group - Scribe Parish Council

Administration

Code	Title	Receipts			Payments			Net Position
		Budgeted	Actual	Variance	Budgeted	Actual	Variance	+/- Under/over spend
8	Staff Costs				12,000.00	10,375.86	1,624.14	1,624.14 (13%)
11	Hall hire				280.00	-15.00	295.00	295.00 (105%)
12	Electricity				1,000.00	3,408.00	-2,408.00	-2,408.00 (-240%)
15	Notice Board				220.00	108.00	112.00	112.00 (50%)
21	Website Costs				600.00		600.00	600.00 (100%)
SUB TOTAL					14,100.00	13,876.86	223.14	223.14 (1%)

Town Hall

Code	Title	Receipts			Payments			Net Position
		Budgeted	Actual	Variance	Budgeted	Actual	Variance	+/- Under/over spend
207	Town Hall hirings		467.00	467.00				467.00 (N/A)
208	Utilities				4,000.00	423.49	3,576.51	3,576.51 (89%)
209	Cleaning				5,000.00	1,280.00	3,720.00	3,720.00 (74%)
210	Phone				799.00	244.33	554.67	554.67 (69%)
211	Maintenance				1,000.00	4,405.00	-3,405.00	-3,405.00 (-340%)
300	Building Repairs							(N/A)
SUB TOTAL			467.00	467.00	10,799.00	6,352.82	4,446.18	4,913.18 (45%)

SUMMARY

Set aside time regularly to keep the cashbook up to date and ensure it records all the information you may need to analyse the data and produce your reports.

Complete regular bank reconciliations (ideally monthly) to limit scope for errors.

Consider linking up with other Clerks for advice & support – [The Clerks' Corner](#), the [Community Clerks' Network](#).

VAT



VAT



Non VAT Registered Councils

- Can claim back VAT using Form 126 on the HMRC website
- No specific timing for claims, but must be for complete calendar months
- If the claim is for less than £100 it must be a full year
- Claims can be made going back 4 years – worth looking into if you have inherited a position where VAT claims are not up to date.
- We recommend claiming at least annually, ideally up to 31st March to keep in line with Year End

Scribe Parish Council

Form 126 Schedule - VAT between 01/04/2025 to 31/05/2025

Invoice Date	Organisation on Invoice	Supplier VAT Reg No	Supplier	Desc	VAT
01/04/2025	Scribe Parish Council	123456712	Anglian Water	Expenses	20.00
03/04/2025	Scribe Parish Council	565768568	Amazon	Expenses	20.00
07/04/2025	Scribe Parish Council	568956556	Clean Team	Cleaning	80.00
15/04/2025	Scribe Parish Council	123 456 789	Lawncare	Grasscutting	132.00
17/04/2025	Scribe Parish Council	589989898	Garden Centre	Plant	15.00
01/05/2025	Scribe Parish Council	876 567 444	ABC Electricity	Electricity	30.00
Amount of VAT you can claim for this period is					£297.00

VAT



VAT Registered Councils

- Will have additional regular sources of income besides the precept e.g. running a car park
- Must submit VAT Returns, normally quarterly but could be on a monthly basis
- Making Tax Digital requires submission of VAT returns directly to HMRC using accounts software and is intended to increase accuracy
- MTD is now mandatory for all VAT registered councils

VAT



Ensure you record VAT separately in your cashbook.

Councils can only claim VAT back if:

- The invoice shows the percentage or amount of VAT being charged
- The VAT number of the supplier is clearly shown on the invoice

If it is a long or onerous process to produce returns/claims this should be addressed.

Take specialist advice if you have a complicated VAT position.





OTHER IMPORTANT FINANCIAL INFORMATION



THE ASSET REGISTER



Record of the Council's tangible assets.

Key Features:

- Supporting information for Box 9 on the Accounting Statements (AGAR)
- Record of assets for insurance purposes
- Facilitates management of assets – e.g. location, maintenance & renewals
- Specific rules for councils – e.g. no depreciation

THE ASSET REGISTER



Key Information:

- Date of acquisition
- Cost of acquisition
 - £1 for gifted or community assets
- Location
- Useful life

Keep updated for additions/disposals

Add missing or other useful information

RESERVES



Essential that councils have adequate reserves to cover both their day to date financial obligations as well as future projects.

Reserves should be reviewed and justified at least annually.

General Reserves:

- Held to cover unexpected events/cashflow problems
- Should be equivalent of between 3 and 12 months expenditure (12 months for smaller councils, 3 months for larger)

RESERVES



Earmarked Reserves:

- Held for specific purposes/projects

Capital Reserves:

- Held for capital purposes only (purchase/enhancement of fixed assets, repayment of loans)
- Proceeds of disposals of assets (over £10k)

No upper limit for Earmarked or Capital Reserves

Must be clearly defined – may need explaining at Year End



HELPFUL RESOURCES

- [SAPPP Practitioners Guide 2026](#): proper practices for governance and accounts. The bible for completing the AGAR!
- [SAPPP Practitioners Guide 2025](#): relevant to 25/26 financial year
- Internal Auditor: advice on good practices and compliance
- External Auditor: useful info on their website regarding what needs to be completed at Year End
- [VAT 749](#): HMRC Guidance on VAT for Local Authorities
- [SLCC](#): support and advice for Clerks
- [NALC](#): represents the interests of Town and Parish Councils
- Local ALCs: County Associations of Local Councils
- [Facebook Group 'The Clerks' Corner'](#): A wealth of information and support from other clerks

FIND OUT MORE



If you would like more details about Scribe please visit our website:

<https://www.scribeaccounts.com>

You can request a free demo of our accounts package in action via:

<https://www.scribeaccounts.com/demo-request>

Thanks for joining!

