

GLOSSARY OF TERMS AND NOTES ON MAYFIELD AND FIVE ASHES PARISH COUNCIL FINANCIAL REPORTS

INTRODUCTION

This paper explains the terminology used in the compilation of the Financial reports.

The purpose of the Financial report is to explain to the Finance and General Purposes committee of the Council, and after approval by that body, the Full Council the current financial situation for the month stated, the effect on the year to date, advice on the effects the results have on the budget, and a forecast of the year end results of the financial year.

The Financial Report is produced each month by the Clerk to Mayfield and Five Ashes Parish Council.

The commentary which accompanies the tables of financial data is designed to draw attention to matters of interest or possible concern to Council members.

This data which has always been available to residents, is now published on the Parish Council Website, as part of the Council's undertaking to be as open as possible on all issues affecting our Parish.

TERMINOLOGY

INCOME

Represents all income coming into the Council, from all sources, within the period shown

Full details are shown in the Accountancy classification

EXPENDITURE

Represents all expenditure made by the Council, from all sources, within the period shown

Full details are shown in the Accountancy classification

ACCOUNTANCY CLASSIFICATION

This document lists all possible sources of Income and expenditure, which are likely to be incurred by the Parish Council. Each item is allocated to a "Cost Centre" which enables it to be consistently grouped together with income or expenditure of a like nature.

An example page is shown below:

VILLAGE SERVICES	3
ACTIVITY All village services, including replacement of existing assets but not the purchase of new assets	

COST CENTRE CODE	DESCRIPTION	ACTIVITY REPORTING GROUP
31	LITTER BIN CLEARANCE WDC contract	D
32	DOG BIN CLEARANCE WDC contract	D
33	LITTER COLLECTION VILLAGES Litter collection Mayfield, Five Ashes also Street weeding	D
34	LITTER AND DOG BIN REPLACEMENT Replacement of existing litter and dog bins	D
35	GRAVEYARDS Maintenance Costs	D
36	CLOCKS AND WAR MEMORIALS Maintenance Costs	D
37	TREES AND HEDGES	D
38	SEATS AND BENCHES – VILLAGES Maintenance and Cleaning	D
39	BUS SHELTERS Maintenance and Cleaning	D

COST CENTRES

The Cost Centres are numbered between 1-100, and are grouped by similar types of income or expenditure. The cost centre is the lowest level by which any item of expenditure is classified. When any item of expenditure or income is incurred it is allocated a cost centre code, which is recorded within the accountancy system.

ACTIVITY REPORTING GROUP

It follows that if the Council reported by all the 100 expenditure cost centres, and 10 income cost centres the resulting report would be completely incomprehensible because it would be too big to grasp the emerging trends. To overcome this; the cost centres are grouped into headings covering large activities like in the example above Village Services. For example, we know that if we refer to “Village Services” we are talking about the whole range of items covered by the cost centres above. Further analysis can be carried out into the individual cost components should it be necessary.

The Activity Groups used by Mayfield and Five Ashes Parish Council are shown below and are also published in the Accountancy Classification.

Main Accountancy Headings for Reporting purposes are listed Schedules:

- Z Income (Note Income is broken down to cost centre level in our reporting system)
- A General Administration
- B Section 137
- C Grants
- D Village Services
- E Lighting
- F Community
- G Recreation
- H Rights of Way
- J Traffic
- K Youth
- L Public Entertainment
- M Elections
- N Extraordinary Payments
- Q Projects

BUDGET

The Council has a DUTY to deliver a Budget for each Financial year. It does this through a 3 month consultation process which allows for all the possible demands for Council expenditure to be identified, discussed and agreed.

The budget is finally agreed in the January meeting of the Full Council, in the year before the one to which it refers.

PRECEPT

Is the amount of money which the Parish Council agrees is needed to finance its budget after taking into account expenditure needs and other income flows. It is collected on behalf of the parish Council by Wealden District council as part of the Council Tax

FINANCIAL REPORTING TERMINOLOGY

YEAR 2007/8 QUARTER 1

This indicates the year to which the report belongs, and the Quarter Year in which the report is situated.

The Financial year always starts on the 1st April.

The Quarters are:

- **1 April – June**
- **2 July – September**
- **3 October – December**
- **4 January – March of the next calendar year**

MONTH OF THE YEAR

Is the month to which the report refers. Eg July 2007

CLOSING BANK BALANCE

These are the amounts in the Bank at the end of the period in question. However they do not represent the full financial activity during the month, because some cheques have not cleared the system and are therefore not reflected in the Bank Balances. Which are always those as at the moment in time shown.

RECONCILIATION

Each month as part of the Financial disciplines the Clerk reconciles, the Financial report headings, which are those shown in the “Books of Account” to the end of period Bank Balance. The reconciliation is carried out by all councils and is in a standard format

BANK BALANCES

The Council has 4 Bank Accounts.

- **Reserve Account, which holds monies, needed in the near but not long term future on Interest account, which automatically FEEDS FUNDS INTO AND OUT OF THE Current Account as required.**
- **Current Account which is used to clear all current income and expenditure. That is the Account on which cheques are drawn and receipts are paid in.**
- **KGF an account for the old King Georges Field Charity accounts, which has now been closed. (August 2007)**
- **Standard life – A long term Deposit Account, where monies not required for the immediate future are kept on deposit. It is a one month notice account**

FINANCIAL REPORTS – MONTH

All expenditure and income within the month shown on the Financial report is recorded in the **FIRST** column of the report. This includes income and expenditure which may not have cleared through the banking system, but nevertheless was incurred in the month in question.

The **SECOND** column shows the expected income or expenditure as shown in the Budget (see below), for the same income and expenditure headings.

The **THIRD** column shows the difference between the actual expenditure or income for the month (Col 1), and that expected.

The variances arising are shown as

- **Positive numbers above budget**
- **Negative (-) numbers below budget**

FINANCIAL REPORTS – YEAR TO DATE

*In a similar manner, all expenditure and income for the Year to Date are shown on the Financial report and recorded in the **FOURTH** column of the report. This includes income and expenditure which may not have cleared through the banking system, but nevertheless was incurred in the year to date.*

The year to date means all income and expenditure incurred or received from the 1st April in the financial year up to and including the month of the report.

The **FIFTH** column shows the expected income or expenditure as shown in the Budget (see below), for the same income and expenditure headings, for the same period of time.

The **SIXTH** column shows the difference between the actual expenditure or income for the year to date (Col 4), and that expected. (Col 5)

The variances arising are shown as

- Positive numbers above budget
- Negative (-) numbers below budget

COLUMN SEVEN REMAINING BUDGET

The purpose of this column is to show the amount of the budget remaining to be received (income) or spent (expenditure). Councils are able to adjust budget expenditure between headings within the year, but prudence dictates that the Budget total will not be exceeded

FORECAST YEAR END RESULTS

Columns 8 – 10 give details of the Councils Year end forecast, which is designed to give guidance on how trends within the financial results will turn out at the year end. This knowledge enables decisions to be made on actions to be taken to keep within budgeted amounts.

The EIGHTH COLUMN shows the Budget as agreed by the Council, broken down over the income and expense headings.

The NINTH COLUMN shows the Current forecast of how it is anticipated that income and expenditure trends emerging through the year to date, and monthly, totals will probably turn out. KNOWN AS THE OUTTURN OR FORECAST the amounts are agreed by the Council, and broken down over the income and expense headings. OUTTURN or Forecast changes are made at 12 Weeks (3months), 24 Weeks (6 months), and 36 Weeks (9 months)

**The TENTH column shows the difference between the Budget expenditure or income for the year (Col 8),and that forecast. (Col 9)
The variances arising are shown as**

- **Positive numbers above budget**
- **Negative (-) numbers below budget**

The agreed adjustments are minuted in the F&GP Minutes

Finally the ELEVENTH column shows the difference between the Actual expenditure or income for the year to date (Col 4),and that forecast. (Col 9)

The variances arising are shown as

- **Positive numbers above budget**
- **Negative (-) numbers below budget**

This column is designed to give further guidance on how trends within the financial results will turn out at the year end. Thus enabling decisions to be made on actions to be taken to keep within budgeted amounts

**D.E.Thompson
August 2007**