East Dean & Friston Parish Council

Date: **05 May 2022**

Title: **Report Item 9 – Council Accountancy Software**

By: **K Larkin (Parish Clerk)**

Purpose: **To recommend the purchase of accountancy software**

Recommendations: **To note the report and approve the purchase of Rialtas software at a start-up cost of approx. £650 plus VAT**

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1. Until 1st April 2022 it has been possible to send VAT returns to HMRC by collating VAT information manually from the council's in-house Excel accounting package, but from 1st April 2022 that will no longer be acceptable. HMRC is introducing a new Making Tax Digital (MTD) regime, which requires VAT returns to be collated digitally and sent to HMRC without manual intervention. For this to happen, new API (Application Programming Interface) software is required to capture business transactions digitally and calculate the summary to report to HMRC. The reports will be in the same summary format as before: the VAT portal will not have changed. In that sense the council will remain in control of sending its return. .

2. Strictly speaking the parish council does not have to be registered for VAT, as it hardly makes any sales (just a few pavilion hires) and the threshold for compulsory registration is £25,000pa of sales. However, the parish has been voluntarily registered for VAT since 1973, and it must be doubtful whether HMRC would approve of de-registration in order to avoid Making Tax Digital (MTD). The clerk has attended an HMRC webinar which made it clear that although exemptions are possible they expect 'reasonable effort, time and cost' to be put into the installation and use of MTD enabled software.

3. In theory free API bridging software is available, but the experience of other parishes with higher turnover, where MTD is already compulsory, is that the free software is clumsy and not user-friendly. It may therefore be time for the council to purchase a sector-specific accountancy package which is already API enabled.

4. Advice has been sought from the SLCC and the council's Internal Auditor. There are three accountancy packages which are sector-specific, namely Rialtas, Scribe and AdvantEDGE. Of these, Rialtas and Scribe receive the most commendations on the national clerks' forum. The Internal Auditor finds Rialtas the most used in his experience, and this was borne out at a recent East Sussex clerks' meeting. I have attended demonstration sessions for both packages and prefer Rialtas, not least because its end-of-year documentation is tailored precisely to the requirements of the Annual Governance and Accountability Return which is the basis of the Annual Audit, and also because it offers substantial help with forward budgeting which may be very useful at a time when inflationary pressures make budgeting less predictable than in recent years. The feedback I have had from other clerks is that Rialtas is the more formal package and it is relatively difficult to correct

data entry errors. I specifically asked about this at my demonstration, and the procedure was explained to me: it sounded reasonable. Scribe is more forgiving but also more basic, and some manual intervention may be required to complete the Annual Audit. However, information on both Rialtas and Scribe is being circulated separately to councillors.

5. Rialtas has quoted £650 plus VAT for their Alpha package (suitable for smaller parishes) in the first year, and £129 pa thereafter if only one person (i.e. the clerk/RFO) is the user. The company undertakes the initial setting up of the council's budget within the coding system. However, there is a drawback that due to pressure of work at this time of year the setting up would not take place before June. In the meantime, the old Excel system would be used. This will not upset the reporting of VAT as the next return is not due until August 2022.

6. Scribe has quoted a set-up fee of £397 plus VAT, but thereafter the annual subscription fee is higher at £564 plus VAT. The parish council would do its own setting up of its budget within the coding system.

7. There is a budget of £750 for office equipment in 2022/23, which could be used, though there could also be a need to purchase a new laptop for the Admin Officer during this financial year, which would necessitate some virement from other budget heads. The parish council has just received over £1,500 in CIL funding which should be spent on infrastructure, and the use of this money may free up some budgeted expenditure which was originally intended to pay for infrastructure related items.