

# Old Marston Charities Trust

Registered Charity Number: 202785

## Financial Management & Accounting

### Financial Management

Financial management is more than just ensuring there is sufficient cash and keeping to budget.

Financial management involves:

- ✓ Setting financial objectives
- ✓ Planning and acquiring funds
- ✓ Ensuring funds are being effectively managed
- ✓ Management and financial accounting
- ✓ Formulating strategy
- ✓ Planning and controlling activities
- ✓ Decision-taking
- ✓ Optimising use of resources
- ✓ Disclosure to other interested parties external to Old Marston Charities Trust
- ✓ Disclosure to employees
- ✓ Safeguarding assets.

Clear procedures are needed to ensure that the Trustees of Old Marston Charities Trust have the tools and skills to ensure effective financial management takes place. Where staff and/or volunteers are involved the individual responsibilities should be clear to avoid confusion, inconsistency & conflicts.

The role of the Treasurer or Chair is often crucial in discussion with key funding bodies, suppliers, commissioners of services, auditors *etc.*

However, legally the Trustees are collectively/jointly responsible for ensuring that the charity's resources are properly managed and accounted for and must not assume the Treasurer and/or Chair will do everything.. The following policies and procedures enable the Trustees to delegate financial management to the Treasurer.

### Definitions:

**Board:** The Board is the Board of Trustees of Old Marston Charities Trust.

**Financial Year:** Old Marston Charities Trust's financial year is 1 April to 31 March.

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**Secretary:** The Secretary is the person who has the day-to-day responsibility for the administration of Old Marston Charities Trust's financial transactions. They are also the person authorised by the Board of Trustees to approve financial instruments (cheques, purchase orders, invoices, *etc*) on its behalf.

## Income Policy & Procedures

### Purpose:

To safeguard, monitor and control income including grants, donations & contribution in the form of BACS, cheques & cash.

To outline the structure of authorisation for dealing with income, credit-control and cash management.

### Invoices:

Invoices should be issued whenever it is appropriate.

Invoices should include the following details:

- ✓ On Old Marston Charities Trust's headed paper;
- ✓ A statement that Old Marston Charities Trust is a registered charity, and its charity number,
- ✓ The name and address of the person or organisation being invoiced;
- ✓ The date of the invoice, which must be the date it is posted to the accounts;
- ✓ The nature of the services and/or goods being charged for;
- ✓ The rate at which services and/or goods are being charged for;
- ✓ The purchase order number (where available) and/or any other appropriate identification information provided by the person or organisation being invoiced;
- ✓ If the invoice is to a funding body it should state the funding period to which it relates;
- ✓ The invoice total;
- ✓ Old Marston Charities Trust's payment instruction & terms of payment.

Where acceptable to the person/organisation to which it is addressed, the invoice may be sent electronically in PDF format. Otherwise the

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invoice shall be printed and sent by post. In either case the invoice must be despatched within 2 working days of being produced.

## **Outstanding invoices:**

The Treasurer will review the outstanding invoices every month. If an invoice hasn't been paid within 28 days of being issued, then a second invoice should be issued. The second invoice should be a copy of the first, but with "REMINDER" added to it.

Any invoice which remains unpaid for more than 56 days must be brought to the attention of the Board to determine what further action should be taken.

Unless there are extenuating circumstances, debtors with invoices more than 56 days overdue will not be allowed any further credit (*eg*: the provision of goods or services, or access to any of Old Marston Charities Trust's facilities or resources) until the outstanding debt has been repaid in full.

Bad debts will be formally written off annually by the Board as part of the preparation for the audited/examined accounts.

## **Recording Payments:**

### **Payment by BACS:**

Where payments are made directly into the bank account via the BACS payment system the Finance Officer will check for such direct payments each time a bank statement is received, or on-line as circumstances require.

### **When payment by cheque or cash is received:**

When cheques or cash arrive the Finance Officer will ensure that cheques are properly signed and made payable to Old Marston Charities Trust and will record their arrival in the accounts;

Cheques and cash received should be banked the same day where possible but at least once per week. Any cheques or cash not banked immediately must be locked away in the safe overnight or until it is banked. A maximum of £250 cash may be held overnight.

### **Cash in Transit:**

All persons carrying cash to or from the bank are instructed to put their personal safety first in the event of any attempt to steal the money.

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In the event of losses of cash in transit, the Treasurer must be informed immediately and take the appropriate action.

The times and days of taking cash for banking should be varied and an innocuous plain bag or briefcase must be used for carrying the money. If the amount of cash (*ie*: excluding cheques) being banked is greater than £250 then two people should take the cash to the bank.

## **Budgeting Policy and Controls:**

### **Purpose:**

To provide a means of balancing projected expenditure against projected income and ensuring resources are allocated fairly;

To provide a structure for monitoring and controlling expenditure and allow authorised budget-holders the flexibility to manage their respective budgets within the limits laid down by the Board.

To ensure that funds cash flows can be effectively and efficiently managed to ensure that there are always sufficient accessible funds available to meet Old Marston Charities Trust's financial commitments as they arise.

### **Policy:**

The annual budget will provide budget-holders with the authority to spend within the amounts specified under each budget heading.

The amounts budgeted for the income and expenditure, both within budget categories and overall, of Old Marston Charities Trust cannot be exceeded, transferred or altered without the authorisation of the Board.

The Finance Officer will provide budget-holders with regular reports (informal reports will be provided monthly as appropriate, formal reports will be provided quarterly) detailing actual expenditure against budget heading and ensure that budgets are not exceeded.

The Finance Officer will ensure that the Board (via the Treasurer, where appropriate) is informed where any breaches of this policy may occur.

### **Budget-setting Process:**

A budget is a plan translated into money for a defined period of time. The time period is usually the financial year. The budget is prepared after Old Marston Charities Trust has clarified its aims and objectives and produced a variety of action plans to achieve them. The purposes of a budget are:

- ✓ To co-ordinate different activities towards a single plan;

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- ✓ To set and communicate financial targets;
- ✓ To maximise and allocate resources;
- ✓ To identify financial problems;
- ✓ To establish a system of control by having a plan against which actual results can be compared;
- ✓ To compel planning.

As the budget is a vital element of the procedure for negotiating grants and contracts, it is important that a budget is produced in good time .

The Treasurer will produce a draft budget based on previous income & expenditure patterns and the expected actual income & expenditure for the coming financial year. The draft budget and any explanatory notes will be circulated to the Board for comment.

Any necessary revisions will be made and a final draft budget presented to the Board for approval & adoption no later than the last day in the financial year prior to that to which it applies.

## **Monitoring and Revision:**

The Finance Officer will monitor income and expenditure and ensure that the Board receives accurate and up to date information regarding any shortfall in projected income or increase in expenditure. Where necessary, the Treasurer will make recommendations on various options for remedial action.

Where such action may affect the level of service or staff then negotiations should be initiated with the relevant parties immediately.

## **Payroll Policy and Procedure:**

### **Purpose:**

To ensure staff are paid in accordance with their terms and conditions of employment.

To ensure salary rates are competitive enough to retain staff.

To ensure statutory deductions are made and paid to the relevant authority within the time limit.

### **Payment of Salaries:**

All salaries are paid 50% in arrears & 50% in advance by cheque/ direct transfer into employee's personal bank accounts on 15<sup>th</sup> of each month, or nearest day where this falls on a Saturday, Sunday or Bank Holiday. Staff must supply the Treasurer with the name of their bank, account number and bank sort code within a week of starting. P45s must be

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handed in as soon as possible to ensure the correct tax code is applied. Where no P45 is available the member of staff will be required to sign a P46 (as are all volunteers who receive any expenses).

Where staff requires any other arrangement they must ask for consideration of the matter as soon as possible and the matter will be referred to the Board.

The final salary cheque of a person leaving employment with Old Marston Charities Trust must be authorised by the Board.

## **Deductions:**

Only statutory deductions will be made without the prior written and signed authorisation from the employee.

## **Overtime:**

Staff will not be paid for overtime but will be expected to take time off in lieu (TOIL) equivalent to any overtime they were required to work.

## **Termination of Employment:**

Any outstanding debts will be deducted in full from the final net salary payment. Paid annual leave taken before it has accrued will be deducted from the gross and any accrued annual leave added to the gross. The employee should receive their P45 with their final payslip.

## **Timetable:**

In the second week of the month the Finance Officer reconciles the previous month's salary payments to the payroll reports.

The Finance Officer must be given a written memo relating to any of the following. As much notice as possible should be given.

- ✓ New employees;
- ✓ Employees leaving;
- ✓ Details of sickness or maternity leave;
- ✓ Any permanent changes (in hours or pay for example);
- ✓ Unpaid leave arrangements;
- ✓ Any tax code changes;
- ✓ Any overtime or other agreed temporary changes.

From these the Finance Officer will calculate salaries and produce accurate payslips and deduction reports.

The Finance Officer will prepare the Inland Revenue return for the previous month and make appropriate arrangements for its payment by the due date. Whenever possible, payments will be made electronically

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(either by BACS or by Direct Debit) in accordance with the recommendations of HM Revenue & Customs.

Statutory Year End Annual Returns to the Inland Revenue are made, and any additional payments made, by the due date.

## **Purchasing Policy and Procedures:**

### **Purpose:**

To ensure that all expenditure is properly authorised and provide a standardised procedure for dealing with expenditure items.

### **Orders - Goods and Services:**

The value of an order/purchase to be shown along with delivery charges where appropriate and both inclusive of VAT.

Budget-holders may order items within their own budget and up to £150 in value.

For purchases outside of budget or over £150 and up to £500 value the authorisation of the Treasurer is required.

Items over £500 in value must be authorised by the Board. For any purchase over £1000 in value, at least 3 quotes must be obtained in order to ensure a competitive price is paid unless the Board explicitly waives this requirement and records in the minutes of the Board meeting the justification for the waiver.

Delivery notes must be checked and initialled by the budget-holder and be filed in the delivery notes file. Any discrepancy between the order and delivery notes must be notified to the supplier immediately. In the event that a discrepancy is not rectified by the supplier as soon as is reasonably practical the Treasurer must be informed.

Invoices must be checked against the relevant delivery notes, initialled and dated when received by the budget holder and forwarded to the Treasurer for payment.

In the event of any shortfall in delivery or the return of goods for any reason, the relevant credit-note must be received from the supplier before payment is made.

### **Purchases - Depreciable Assets:**

All depreciable items over £1000 (in aggregate where the purchase is of related items) will be recorded in the accounts as a tangible fixed asset and depreciated over the appropriate period of time as defined in the Annual Report and Statement of Financial Activity.

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*Note: this section will not apply to charities which use Receipts & Payments accounting procedures, in which case it should be deleted in its entirety.*

## **Payments by Cheque and Other Instruments (eg: On-Line BACS, Direct Debit):**

Where appropriate, authorised persons who are not Trustees may be established by resolution of the Board. The resolution must state the reason for the authorisation and the date on which it will expire.

Where a cheque or any other form of payment is being made to an authorised person that person may not be a signatory on the cheque or other instruction for payment;

The Charity Commission guidelines recommend that all cheques and other instructions to the bank, including instructions made on-line (eg: for BACS payments) be signed by two authorised persons. However, where this is not practical for small payments, the Trustees may decide to allow of amounts of up to £250 to be approved by just one authorised person, provided that that decision, and the justification for it, are clearly recorded in the minutes of the meeting at which the decision was made;

Where a cheque or other instructions to the bank - including instructions made on-line (eg: for BACS payments) - is for an amount exceeding £1000 the payment must be authorised by the Board of Trustees unless the purpose for which the payment is being made has already been approved by the Board. The authorisation of the payment can be made by written resolution, including by e-mail where appropriate (*ie*: the authorisation does NOT necessarily require the convening of a Board meeting).

## **On-Line Purchases Using Credit/Debit Cards:**

It is recognised that the increasing availability of on-line purchasing means that it is very often possible to secure products at very competitive prices.

Old Marston Charities Trust's bankers do not provide a credit/debit card to allow such purchases to be on-line with direct charging to Old Marston Charities Trust's bank account. This means that Old Marston Charities Trust can only take advantage of competitive on-line pricing where budget-holders are willing and able to make such purchases using their own personal credit/debit card and reclaim the expenditure from Old Marston Charities Trust. Old Marston Charities Trust accepts



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that, provided that due care is taken to ensure probity, that this is a reasonable and beneficial way of proceeding.

All such on-line purchases must have the prior approval of a Trustee who is not otherwise involved in the purchase, in addition to the budgetary approvals specified earlier.

On-line purchases of items for Old Marston Charities Trust must NOT include within the same order any item for the personal use of the person placing the order.

Whenever possible, the delivery address for such on-line purchases should be Old Marston Charities Trust rather than the purchaser's billing address (usually their home address).

The procedures for handling delivery notes, credit notes and invoices for purchases charged to a personal credit/debit account shall be the same as those for purchases made directly by Old Marston Charities Trust.

The reimbursement of individuals for purchases made on behalf of Old Marston Charities Trust will always be by cheque signed by two Trustees who are not otherwise involved in the purchase (including reimbursement which are within the single-signature limit in Old Marston Charities Trust's bank account mandate).

## **Petty Cash Policy and Procedure:**

The Old Marston Charities Trust do not hold any petty cash.

## **The Accounting and Audit Procedure:**

### **Purpose:**

To ensure that Old Marston Charities Trust meets the statutory accounting requirements of the Charities Commission.

To provide accurate and useful data for the Board and staff.

### **Procedure:**

Old Marston Charities Trust's accounts will be managed electronically using appropriate software approved by The Board and Small Charity Support's Auditor/Examiner;

The Board of Trustees appoints the Auditor/Examiner at the AGM, or at other times when circumstances require;

The Secretary will ensure that all financial records, supporting documentation and reconciliations are accurately maintained, up to date and easily retrievable for analysis and examination purposes;

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The Secretary will prepare timely and accurate year-end accounts in the appropriate format with the required supporting working papers and relevant reconciliations.

The Annual General Meeting has agreed that: *“That, for as long as it is entitled to do so under the relevant Companies legislation, Old Marston Charities Trust will exercise its option to exemption from the requirement to obtain an audit of its financial activities”*

The Secretary will meet with the Auditor/Examiner to ensure that audit/examination queries are resolved and that accounts are completed and signed within six months of the year end.

The Secretary will ensure that the audited/examined accounts are filed with:

- the Charity Commission within 10 months of the year-end.

## Change Record

Date of Change:	Changed By:	Comments:
dd/mm/yy	XX	Policy approved by the Trustees