



Financial Management

1 Introduction

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 external parties
- Safeguarding Assets

The role of the Trustees and in particular 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 Trust'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 routine financial management to the Treasurer.

2 Definitions:

Trustees: Trustees are those members of the Land of Oak & Iron Trust (LOIT) who have volunteered to carry out the duties of a Trustee.

Financial Year: LOIT's financial year is 1 April to 31 March.

Treasurer: The Treasurer is the member of the LOIT who leads the strategic and operational responsibility for the financial management of LOIT.

Management Group: The Management Group consists of the LOIT Trustees plus a nominated person from all approved Sub-Groups (e.g. Mapping, Young Persons, Publications etc.)

Authorised Persons: Authorised persons are those persons authorised by the Trustees to approve financial instruments (cheques, purchase orders, invoices, etc) on its behalf.

Members: Members are active people (usually volunteers) who give time the LOIT activities and have an interest in LOIT business.

3 Income 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:

- LOIT logo;
- A statement that LOIT 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;
- LOIT'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 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 at the discretion of the Treasurer 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 Trustees 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 (e.g. the provision of goods or services, or access to any of LOIT's facilities or resources) until the outstanding debt has been repaid in full.

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

Recording Payments:

Payment by Electronic Transfer:

Where payments are made directly into the bank account via Electronic transfer the Treasurer 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 Treasurer will ensure that cheques are properly signed **and** made payable to LOIT 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 secured 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.

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

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 (i.e. excluding cheques) being banked is greater than £250 then two people should take the cash to the bank.

4 Budgeting Policy and Controls:

Purpose:

To provide a means of balancing projected expenditure against projected income and ensuring resources are allocated in line with programmes and projects agreed by the Management Group;

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 Trustees.

To ensure that funds/cash flows can be effectively and efficiently managed to ensure that there are always sufficient accessible funds available to meet LOIT'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 LOIT cannot be exceeded, transferred or altered without the authorisation of the Trustees.

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

The Treasurer will ensure that the Trustees are informed where any breaches of this policy 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 LOIT 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;
- 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 Management Group will produce a budget based on planned activities for the coming financial year taking into consideration previous income and expenditure pattern, new planned projects, and changes to existing projects, along with confirmed and anticipated income.

Monitoring and Revision:

The Treasurer will monitor income and expenditure and ensure that the Management Group 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.

5 Purchasing 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 £50 in value. For purchases outside of budget or over £50 and up to £500 value the authorisation of the Treasurer is required.

Items over £500 in value must be authorised by the Trustees. 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 Trustees explicitly waive this requirement and records in the minutes of the Trustees 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.

Payments by Cheque and Other Instruments (e.g. : Electronic Transfer, Direct Debit):

Where appropriate, authorised persons who are not Trustees may be established by resolution of the Trustees. 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, be signed by two authorised persons.

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

LOIT's bankers provide a debit card to allow such purchases to be made on-line with direct charging to LOIT's bank account. This card shall be held and controlled by the Treasurer and used in line with authorisation as set out in this policy.

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 LOIT must NOT include within the same order any item for the personal use of the person placing the order.

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 LOIT. The reimbursement of individuals for purchases made on behalf of LOIT will always be by cheque signed by two Trustees who are not otherwise involved in the purchase.

6 Petty Cash Policy and Procedure:

Purpose:

To ensure all cash is properly handled including storage, payments and record keeping.

To establish accountability for the proper handling of cash.

Policy:

LOIT will avoid the maintenance of Petty Cash accounts except where absolutely necessary for practical operational reasons. All petty cash accounts shall be operated and maintained using the methods defined in the following procedures.

Procedures:

All cash must be kept in the Petty Cash boxes provided which should be kept in a secure place.

A signed Expenditure Voucher and point-of-sale receipt must support all transactions.

All petty cash boxes must be reconciled monthly by the petty cash holder, or named responsible person.

Requests for replacement cash must tally with the sum of the vouchers.

The Treasurer shall operate random checks on Petty Cash boxes to ensure that entries are accurate, vouchers and receipts properly stored and that the running balances are correct.

Administration and Accounting:

Payments from Petty Cash are recorded and signed for using Expenditure Vouchers as they are paid out against point-of-sale receipts.

Petty Cash floats operate on the imprest system where the total of the cash and Expenditure Vouchers should always equal the amount of the agreed float. Any discrepancies must be reported to the Treasurer immediately for investigation and action. The amount of float held in a Petty Cash box will be clearly marked on the inside of the box and should be appropriate to the level of transactions passing through the box (subject to a maximum of £100).

At the end of the month the Treasurer will enter the petty cash expenditure into the main accounts.

Expenses:

Expenses will be authorised and paid in line with the Expenses Policy P002.

7 The Accounting and Audit Procedure:

Purpose:

To ensure that LOIT meets the statutory accounting requirements of the Charities Commission.

To provide accurate and useful data for the Trustees and LOIT Members.

Procedure:

LOIT's accounts will be managed electronically using appropriate software approved by The Trustees and where appropriate LOIT's Auditor / Scrutineer;

The Trustees shall appoint an Auditor / Scrutineer as deemed appropriate at times when circumstances require;

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

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

Adopted: September 2019

Reviewed: January 2021

Next review January 2022