



Financial Management & Accounting Policy (V2 - June 2023)

1 Financial Management principles

- 1.1 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 Transom Trust
 - Disclosure to employees
 - Safeguarding assets.
- 1.2 Clear procedures are needed to ensure that the Trustees of Transom 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.
- 1.3 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 policy and procedures enable the Trustees to delegate financial management to the Treasurer.

2 Definitions

- 2.1 Definitions of key positions are as follows:
- **Board** - the Board of Trustees of Transom Trust;
 - **Financial Year** – Transom Trust's financial year is 1st October to 30th September;
 - **Treasurer** - the member of the Board who has operational responsibility for the financial management of Transom Trust. (As needed, The Treasurer may appoint a designated person to carry out some of their financial responsibilities – eg: review bank statements and Housing Benefit notifications, and referring issues back to the Treasurer to resolve).

3 Income Policy & Procedures

- 3.1 The overall purpose of this policy and procedures is to:
- safeguard, monitor and control income including grants, donations and contribution in the form of BACS, cheques and cash;

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

Invoices

3.2 Invoices should:

- be issued whenever it is appropriate;
- include the following details:
 - Transom Trust's logo;
 - a statement that Transom 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;
 - Transom Trust's payment instruction and terms of payment.

3.3 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

3.4 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.

3.5 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 Transom Trust's facilities or resources) until the outstanding debt has been repaid in full.

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

Recording Payments

3.7 **For payments by BACS** - where payments are made directly into the bank account via the BACS payment system the Treasurer (or designated person) will check for such direct payments each time a bank statement is received, or on-line as circumstances require.

3.8 **For payments received by cheque or cash** - when cheques or cash arrive the Treasurer will ensure that cheques are properly signed and made payable to Transom Trust and will record their arrival in the accounts.

- 3.9 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

- 3.10 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 take the appropriate action.
- 3.11 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 (excluding cheques) being banked is greater than £250 then two people should take the cash to the bank.

4 Budgeting Policy and Controls

- 4.1 The overall purpose of this policy and procedures is to:
- provide a means of balancing projected expenditure against projected income and ensuring resources are allocated fairly;
 - 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;
 - ensure that funds cash flows can be effectively and efficiently managed to ensure that there are always sufficient accessible funds available to meet Transom Trust's financial commitments as they arise.

Policy

- 4.2 The annual budget provides Trustees with the authority to spend within the amounts specified under each budget heading.
- 4.3 The amounts budgeted for the income and expenditure, both within budget categories and overall, of Transom Trust cannot be exceeded, transferred or altered without the authorisation of the Board.
- 4.4 The Treasurer will:
- provide the Trustees 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;
 - ensure that the Board is informed where any breaches of this policy may occur.

Budget-setting Process

- 4.5 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 Transom Trust has clarified its aims and objectives and produced a variety of action plans to achieve them.
- 4.6 The purposes of a budget are to:
- co-ordinate different activities towards a single plan;
 - set and communicate financial targets;
 - maximise and allocate resources;
 - identify financial problems;

- establish a system of control by having a plan against which actual results can be compared;
- compel planning.

- 4.7 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 and expenditure patterns, and the expected actual income and expenditure for the coming financial year. The draft budget and any explanatory notes will be circulated to the Board for comment.
- 4.8 Any necessary revisions will be made and a final draft budget presented to the Board for approval and adoption no later than the last day in the financial year prior to that to which it applies.

Monitoring and Revision

- 4.9 The Treasurer 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.

5 Payroll Policy and Procedure

- 5.1 The overall purpose of this policy and procedure is to ensure:
- staff are paid in accordance with their terms and conditions of employment;
 - salary rates are competitive enough to retain staff;
 - statutory deductions are made and paid to the relevant authority within the time limit.

Payment of Salaries

- 5.2 All salaries are paid 100% in arrears by direct transfer into an employee's personal bank account on 29th of each month, or nearest day where this falls on a Saturday, Sunday or Bank Holiday.
- 5.3 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 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).
- 5.4 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.
- 5.5 The final salary cheque of a person leaving employment with Transom Trust must be authorised by the Board.

Deductions

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

Overtime

- 5.7 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

- 5.8 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

- 5.9 In the second week of the month the Treasurer reconciles the previous month's salary payments to the payroll reports.
- 5.10 The Treasurer must be given a written memo relating to any of the following. As much notice as possible should be given about:
- 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.
- 5.11 From these the Treasurer will:
- calculate salaries and produce accurate payslips and deduction reports;
 - 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 (either by BACS or by Direct Debit) in accordance with the recommendations of HM Revenue and Customs;
 - make Statutory Year End Annual Returns to the Inland Revenue, and any additional payments made, by the due date.

6 Purchasing Policy and Procedures

- 6.1 The overall purpose of this policy and procedures is to ensure that all expenditure is properly authorised and provide a standardised procedure for dealing with expenditure items.

Orders - Goods and Services

- 6.2 The value of an order/purchase needs to be shown along with delivery charges where appropriate and both inclusive of VAT.
- 6.3 For purchases outside of budget or over £150 and up to £500 value the authorisation of the Treasurer is required.
- 6.4 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.

- 6.5 Delivery notes must be checked and initialled, 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.
- 6.6 Invoices must be checked against the relevant delivery notes, initialled and dated when received, and then forwarded to the Treasurer for payment.
- 6.7 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 (eg: On-Line BACS, Direct Debit)

- 6.8 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.
- 6.9 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.
- 6.10 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 (eg: for small charities and payments), the Trustees may decide to allow payments 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.
- 6.11 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 email where appropriate (ie: the authorisation does NOT necessarily require the convening of a Board meeting).

On-Line Purchases Using Credit/Debit Cards

- 6.12 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. Transom Trust do provide their Treasurer and Chair of Trustees with a debit card to allow such purchases to be on-line with direct charging to Transom Trust's bank account.
- 6.13 This means that Transom Trust may also take advantage of competitive on-line pricing where Trustees, staff and volunteers are willing and able to make such purchases using their own personal credit/debit card and reclaim the expenditure from Transom Trust. The Trust must accept that, provided that due care is taken to ensure probity, that this is a reasonable and beneficial way of proceeding.
- 6.14 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.

- 6.15 On-line purchases of items for Transom Trust should 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 Transom Trust rather than the purchaser's billing address (usually their home address).
- 6.16 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 Transom Trust. The reimbursement of individuals for purchases made on behalf of Transom Trust will normally be made via a BACS payment.

7 Petty Cash Policy and Procedure

7.1 The overall purpose of this policy and procedure is to:

- ensure all cash is properly handled including storage, payments and record keeping;
- establish accountability for the proper handling of cash.

Policy

- 7.2 Transom Trust will avoid the maintenance of Petty Cash accounts except where absolutely necessary for practical operational reasons. If a Petty Cash account is needed:
- 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

- 7.3 Payments from Petty Cash should be recorded and signed for using Expenditure Vouchers as they are paid out against point-of-sale receipts.
- 7.4 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 £50).
- 7.5 At the end of the month the Treasurer will enter the petty cash expenditure into the main accounts.

8 The Accounting and Audit Procedure

- 8.1 The overall purpose of this policy and procedure is to:
- ensure that Transom Trust meets the statutory accounting requirements of the Charities Commission;
 - provide accurate and useful data for the Board, staff and volunteers.

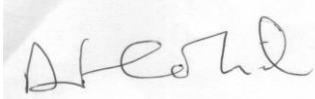
Procedure

- 8.2 Transom Trust's accounts will be managed electronically using appropriate software approved by The Board and Transom Trust's Auditor/Examiner. The Board of Trustees appoints the Auditor/Examiner at the AGM, or at other times when circumstances require.
- 8.3 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;
 - prepare timely and accurate year-end accounts in the appropriate format with the required supporting working papers and relevant reconciliations.
- 8.4 The Annual General Meeting can agree that: *“For as long as it is entitled to do so under the relevant Companies legislation, Transom Trust will exercise its option to exemption from the requirement to obtain an audit of its financial activities”*
- 8.5 The Treasurer 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;
 - ensure that the audited/examined accounts are filed with the Charity Commission within 10 months of the year-end.

The Trustees will review the policy every 2 years.

Approved by the Treasurer on behalf of the Trustees on: 28/06/2023

Signature (on behalf of both the Chair of Trustees and Treasurer):



Next review date: 28/06/2025