

Policy – 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 CIO
- Disclosure to employees
- Safeguarding assets.

Clear procedures are needed to ensure that the trustees of CIO have the tools and skills to ensure effective financial management takes place.

The role of the Treasurer is often crucial in discussion with key funding bodies, suppliers, commissioners of services, etc. However, legally the trustees is collectively/jointly responsible for ensuring that the CIO's resources are properly managed and accounted for and must not assume the Treasurer will do everything. The following policies and procedures enable the trustees to delegate financial management to the Treasurer.

Definitions:

trustees: The trustees of CIO.

Financial Year: CIO's financial year **is to be determined**.

Treasurer: The Treasurer is the member of the trustees who leads the strategic and operational responsibility for the financial management of CIO and who has the day-to-day responsibility for the administration of CIO's financial transactions.

Authorised Person: Authorised persons are those persons authorised by the 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:

- A statement that CIO is a registered CIO, and its CIO 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;
- CIO'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 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 (eg: the provision of goods or services, or access to any of CIO's facilities or resources) until the outstanding debt has been repaid in full.

Bad debts will be formally written off annually by the trustees

Recording Payments:

Payment by BACS:

Where payments are made directly into the bank account via the BACS payment system 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 CIO 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.

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

Policy:

The amounts budgeted for the income and expenditure, both within budget categories and overall, of CIO cannot be exceeded, transferred or altered without the authorisation of the trustees.

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 CIO 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 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 trustees for comment.

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

Monitoring and Revision:

The Treasurer will monitor income and expenditure and ensure that the trustees 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.

The Treasurer will prepare the Statutory Year End Annual Returns to the Inland Revenue consisting of a statement of income and expenditure for the financial year.

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.

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 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 waives 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 Treasurer 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 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.

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

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 CIO 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 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 (ie: the authorisation does NOT necessarily require the convening of a trustees meeting).

On-Line Purchases

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.

CIO's bankers do not provide a credit/debit card to allow such purchases to be on-line with direct charging to CIO's bank account. This means that CIO can only take advantage of competitive on-line pricing where trustees members are willing and able to make such purchases using their own personal credit/debit card and reclaim the expenditure from CIO. CIO accepts 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 trustees member who is not otherwise involved in the purchase, in addition to the budgetary approvals specified earlier.

On-line purchases of items for CIO 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 CIO, i.e. the Village Shop, 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 CIO. The reimbursement of individuals for purchases made on behalf of CIO will always be by cheque signed by two trustees members who are not otherwise involved in the purchase (including reimbursement which are within the single-signature limit in CIO's bank account mandate).

Petty Cash Policy and Procedure: *(may not be applicable)***Purpose:**

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

Policy:

CIO will avoid the maintenance of Petty Cash accounts except where absolutely necessary for practical operational reasons.

All cash must be kept in a Petty Cash box which should be kept in a secure place. A signed Expenditure Voucher and point-of-sale receipt must support all transactions. The petty cash box 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 the Petty Cash box 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.

The Accounting and Audit Procedure: The accounts of a CIO do not have to be audited unless the annual income exceeds £25,000.

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.

Agreed by trustees on: August 2021