

Financial Management Policy



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Policy Statement:

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 the Charity
- Safeguarding assets.

Clear procedures are needed to ensure that the Trustees of the Charity have the tools and skills to ensure effective financial management takes place. Where 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 govern how we will manage the Charity's finances and enable the Committee to delegate financial management to the Treasurer and Assistant Treasurer.

Definitions:

The Charity: Mansfield & Sutton Astronomical Society, registered CIO no: 1187777.

Committee: The Committee is the Board of Trustees of the Charity.

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

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

Authorised Person: Authorised persons are those persons authorised by the Committee to approve financial instruments (cheques, debit card payments, purchase orders, invoices, etc.) on its behalf.

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Budget Holder: Budget holders are the individual trustees who set and manage budgets for their area of responsibility within the Charity.

The Treasurer will ensure that the Committee is informed where any breaches of this policy may occur.

Budgeting

Purpose:

To provide a means of balancing projected expenditure 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 limits laid down by the Committee;

To ensure that funds and cash flows can be effectively and efficiently managed to ensure that there are always sufficient accessible funds available to meet the Charity'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 expenditure, both within budget categories and overall, of the Charity cannot be exceeded, transferred or altered without the authorisation of the Committee.

Budget-setting Process:

A budget is a plan translated into money for a defined period of time. The purposes of a budget are:

- To coordinate 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.

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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.

Budgets will be set at the start of the financial year based on anticipated operational and planned major expenditure for the financial year ahead. With the exception of major projects where specific grant funding and donations are anticipated, the budgets will be set only up to the current available finances without regard for any anticipated income for the year. In all cases, spend will only be authorised against the budget where sufficient funding is available to cover the costs.

Individual budget holders will submit their planned expenditure to all other trustees, and budgets will be negotiated and set at a Special Committee meeting held soon after or in conjunction with the Committee meeting where the previous financial year-end accounts are presented and approved.

Monitoring and Revision:

The Treasurer will monitor income and expenditure and will provide the Committee with monthly reports detailing actual expenditure against budget headings, ensure that the Committee receives accurate and up to date information regarding any shortfall in projected income or increase in expenditure. If a budget holder identifies a potential increase in expenditure over the agreed budget plus allowable over spend (see Purchasing Procedures section), then approval of the Committee must be obtained for the potential over spend before the cost is incurred.

Reserves

Purpose:

To safeguard the Charity against unexpected large expenditure or loss of income.

Procedure:

The Charity will keep enough cash assets to cover an ongoing six months' worth of anticipated general expenditure to ward against contingency and cash-flow risks;

The Committee may choose to waive this requirement if exceptional need arises and the justification for the waiver is recorded in the minutes of the Committee meeting.

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Income Procedures

Purpose:

To safeguard, monitor and control income including grants & donations;

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

Invoices:

Invoices should be issued whenever it is appropriate and should include the following details:

- The Charity's logo;
- A statement that the Charity is a registered charity, and its charity number;
- The name and (where known) address of the person or organisation being invoiced;
- The date of the invoice;
- 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;
- The invoice total;
- The Charity'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 should 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 one calendar month of being issued, then a reminder email should be sent. The email should include the word "REMINDER" in the subject line, and include a copy of the outstanding invoice as an attachment. If the invoice was sent by post, a copy invoice and reminder letter should be sent.

Any invoice which remains unpaid for more than two calendar months must be brought to the attention of the Committee to determine what further action should be taken.

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Unless there are extenuating circumstances, debtors with invoices more than two calendar months overdue will not be allowed any further credit (e.g. the provision of goods or services, or access to any of the Charity's facilities or resources) until the outstanding debt has been paid in full.

Bad debts will be formally written off annually by the Committee 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 Treasurer will check for such direct payments each time a bank statement is received, or on-line as circumstances require.

Payment by cheque or cash:

When cash or cheques arrive the Treasurer will record their arrival in the accounts and ensure that cheques are properly signed and made payable to the Charity;

Cash and cheques received should be placed in the appropriate locked cash tin. A total of no more than £500 of cash should be held on the Charity premises. Any excess to this amount should be banked as soon as possible. Any cheques should be banked as soon as possible, and at most within one week.

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 should be used for carrying the money. If the amount of cash (i.e. excluding cheques) being banked is greater than £500 then two people should take the cash.

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Purchasing Procedures

Purpose:

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

Goods and Services:

Budget holders may order items from their agreed budget items and in addition up to £100 in value per month and with a maximum of £300 per financial year.

For purchases outside of the above limitations the authorisation of the Committee is required. For any purchase over £500 in value, at least 3 quotes must be obtained in order to ensure a competitive price is paid unless the Committee explicitly waives this requirement and records in the minutes of the Committee meeting the justification for the waiver.

Invoices must be checked against the relevant order when received by the budget holder and forwarded to an authorised person for payment.

Payments by Cheque and Other Instruments (e.g. BACS, Direct Debit, Debit Card):

In usual circumstances, the Charity will have three authorised persons: Chair, Secretary and Treasurer, and each will be issued a bank debit card in their personal name. Where appropriate, authorised persons who are not Trustees may be established by resolution of the Committee. 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 (e.g. for BACS payments or debit card purchases) be signed by any two authorised persons. However, the card payment and online systems provided by our banks do not facilitate this. A separate document will be kept in a secure location, specifying the current authorised persons, and the level of authorisation they hold on specific bank accounts. Any changes to these authorisations will be made by resolution of the Committee.

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Expenses/allowances:

The Charity will, if asked, reimburse expenditure paid for personally by volunteers, providing:

- The expenditure is within the Goods and Services procedures outlined above.
- The expense or nature of the trip/visit is approved in advance by the Committee.
- Fares are evidenced by tickets.
- Other expenditure is evidenced by original receipts.
- Car mileage is based on local authority scales and signed for on the relevant form.
- No authorised person should process the payment of expenses to themselves.

Banking

The Charity will keep a separate document in a secure location, detailing the current Charity bank accounts, plus the methods to facilitate deposits to these accounts.

The bank mandate (list of people who can sign cheques on the organisations behalf) will always be approved and minuted by the Committee as will any changes to it.

The charity will require banks to provide statements every month and these will be reconciled with the accounts every month. If a particular bank account can only be accessed by one authorised person, the monthly reconciliation for that account should be completed by a different authorised person.

The Charity will not use any other banks or financial institutions, nor use any overdraft facilities or take out any loans or mortgages, without such a decision being discussed, approved and minuted by the Committee.

Accounting and Audit

Purpose:

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

To provide accurate and useful data for the Committee.

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Procedure:

The Charity's accounts will be managed electronically using appropriate software approved by the Committee and the Charity's Auditor/Examiner;

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. These should be presented to the Committee at the earliest possible opportunity after the financial year-end;

The Committee shall appoint an Auditor/Examiner as circumstances require;

The Treasurer will liaise with the Auditor/Examiner to ensure that audit/examination queries are resolved and that accounts are completed at the earliest possible opportunity;

Audited/examined accounts are to be issued to members prior to the Annual General Meeting;

The Treasurer will ensure that the audited/examined accounts are filed with the Charity Commission within 10 months of the financial year-end.