



READING COMMUNITY LEARNING CENTRE

FINANCIAL MANAGEMENT INCLUDING PAYMENT PROCEDURES

Signed _____ *(Company Secretary) Date: July 2015*

Review Date: July 2017

Aims

- To ensure accurate records are maintained, monitored and evaluated in relation to income, expenditure, reserves and financial decisions.
- To develop procedures that will promote the long term security and financial stability of the organisation.
- To enable accurate reporting of financial accounts to the necessary organisations e.g. Charity Commissioners, Companies House and fund providers.

Policy Statement

The Trustees are responsible for the overall financial management of the Trust.

Authority is delegated by the Trustees to the Centre Manager and staff as detailed below or as recorded in subsequent Board minutes.

The Trust is financially accountable to the Charity Commissioners, Companies House and any relevant funding bodies.

IMPLEMENTATION

General and Administration

General

- The financial year is aligned to the public sector i.e. beginning in April each year.
- The Trustees should review the financial well being of the Trust at each Board meeting. Such reviews shall be undertaken at least 4 times a year.
- In addition, the Trustees should review regularly the key risks and risk management process. Such reviews should be undertaken at least once during the financial year.

Role of the Treasurer

- The Treasurer will prepare an annual budget for approval by the Trustees.
- The Treasurer, in conjunction with the Centre Manager, will review monthly expenditure against the agreed budget and report to the Trustees as requested.
- The Treasurer will audit the bank accounts and petty cash records from time to time, but not less than once every 8 weeks.
- The Treasurer will advise the Trustees, Fund Raising Committee and Centre Manager when it is necessary to raise additional funds. She will also review the financial information included in any fund raising application as required by the Fund Raising Committee.

Budgets and Management Accounts

- Accurate budgeting is a difficult exercise, but should be undertaken at least on an annual basis. The budget should be refined periodically through the year as circumstances become clearer. Such reviews will take place at least quarterly.
- In agreeing the budget, the Trustees need to be aware of the implications of their decision on staffing levels.
- Non essential expenditure should only be approved by the Board where sufficient funds are already held.
- The budget needs to make adequate provision for routine maintenance of the premises and equipment.
- A record of actual monthly expenditure against each budget line should be maintained by the Centre Manager and a summary of expenditure against budget should be reviewed at each Board meeting.

Financial Accountability and Authorisation Levels

- The Trustees have ultimate financial accountability for the Trust.
- The Centre Manager is responsible for the day to day financial management of the Trust, while the Treasurer will ensure that the following are appropriately maintained and monitored:
 1. Annual and monthly budget
 2. Bank statements
 3. Monthly income and expenditure sheets
 4. Periodic balance sheets
 5. Accounts payable
 6. Accounts receivable
 7. Salary and leave entitlement
 8. Invoice register
 9. Asset Register and inventory of equipment and furniture (see below under 'Asset Register and Controls')
- The Centre Manager will implement financial policies and procedures including the management of collection of debts.
- A Trustee or the Centre Manager may incur debts up to but not exceeding £500 for expenditure in accordance with the Budget agreed by the Trustees. Receipts will be obtained for such debts. These sums may be reclaimed as Expenses. Any sums wrongfully incurred will not be reimbursed.
- Debts above £500 must have the approval of 2 Trustees or 1 Trustee and the Centre Manager and must be within the Budget agreed by all Trustees.
- The Treasurer will monitor the implementation of policies and procedures.

- Two copies of audited statements will be forwarded to the Charity Commissioners, Companies House. The Company secretary will confirm such submissions have been made.
- Copies of the audited statements will be sent by the Centre Manager to funding bodies in accordance with their requirements
- An independent examiner or auditor will be appointed annually by the Trustees.

Room Hire and Crèche Fees

- The rate charged for the use of rooms and the crèche facilities will be set to reflect the local market and competitive pressures.
- Preferential terms may be agreed to partner organisations and charitable organisations.
- The Centre Manager will advise suitable rates and the Trustees will agree the final rates to be charged. A review of rates will be undertaken annually preferably in February or March i.e. before the start of each new financial year or whenever the Board deems appropriate.
- Rates will be advised to the person or organisation using the room at the start of a contract and after each review by the Trustees.

Tax and VAT Issues

- The Trustees have appointed the external auditor to act as agent for dealing with HMRC.
- HMRC have advised that no return is required for the year 2008/9 and that a return should only be filed if requested. As of, September 2010 no such request has been received. If a request is received in the future, the Centre Manager and Treasurer, in conjunction with the external auditor, will arrange for an appropriate return to be submitted.
- RCLC is grant funded and therefore not required to be VAT registered. This means that VAT cannot be reclaimed or charged.
- VAT payments may be avoided or paid at reduced levels in certain limited circumstances in accordance with the Inland Revenue notices as amended from time to time.

Independent Examination Requirements

- The main day to day relationship between the external auditors and the Trust will normally be with the Centre Manager.
- However, the auditor is also available to serve the Trustees and the Treasurer of the Board should seek to meet with the Auditor at least once during each financial year.

- The auditor will prepare audited accounts annually and, when agreed at the Annual General Meeting, will submit to Companies House and the Charity Commission.

Insurance

- The Centre Manager will obtain quotes for public liability and contents insurance on an annual basis. Such cover should be obtained on a competitive basis.
- The Trustees will agree the level of cover to be obtained and review the level required on an annual basis.
- Buildings insurance is arranged by the landlords. The cost of such cover is charged on a quarterly basis.

Fund Raising

- Funds will be raised from time to time as required to cover anticipated expenditure in the annual budget.
- The Trustees and Centre Manager will review potential providers of finance on a periodic basis, depending on the financial needs of the Charity at any time.
- A Fund Raising Sub Committee will agree which sources of finance are to be pursued. The Centre Manager and one or more Trustees will prepare the applications for funds. The Treasurer will review the accounting information provided in such applications if required.
- The Trustees should review the applications made and ongoing need for further funds at each Board meeting.
- The Treasurer should review the terms and conditions on which funds are provided and ensure all Trustees are aware of any unusual requirements, as well as ongoing reporting requirements.
- The Centre Manager is responsible for providing reports to any Fund providers in accordance with their stated requirements. Copies of these reports should be provided to the Trustees, given their ultimate responsibility for financial matters.

Issuing of Licences to Users of our Premises

- Such licences will only be issued with agreement of the landlords and with full legal documentation.
- Rental income will be set at a level to cover the rental, building insurance, utility and other related costs appropriate for the area to be occupied.
- RCLC will not look to make a profit from such licencees, but will seek to cover all running costs.

Cash Procedures

Payment of Invoices

- The Centre Manager is responsible for ensuring that an invoice or appropriate documentation is obtained for all accounts.
- Cheques should only be prepared when Invoices have been authorised and checked as complete by an authorised Trustee (who should not be the Treasurer) or person appointed by the Trustees.
- Cheque signatories are responsible for ensuring that the information on invoices reconciles with the information on cheques before signing. Blank cheques will not be signed.
- All cheques should be signed by two authorised signatories (see below under 'Cheque Signatories'), at least one of whom should be a Trustee.
- BACS payments should only be made when Invoices have been received. Whilst the Centre Manager may arrange such payments, an authorised Trustee should confirm authenticity of the payment.
- The Centre Manager is responsible for ensuring that the correct amounts are advised to the Bank when authorising BACS payments.
- All invoices will be marked with the following information:
 - who authorised the payment
 - date paid
 - date posted to the ledgers
 - if invoice against bank entry audited by the Treasurer
- All payments through the Bank account will be audited by the Treasurer from time to time.

Payroll Authorisation, Payment and Checking

- The Centre Manager will advise the payroll service provider of the hours worked by the staff.
- Records of the courses taught by each tutor will be maintained.
- The payroll calculations are prepared by an independent body.
- On receipt of the payroll breakdown, the Centre Manager will advise the Bank of the amounts to be paid to each member of staff, and arrange to pay the national insurance and tax elements to the Inland Revenue. Such payments will be made in accordance with the procedures referred to above under 'Payment of Invoices'.
- The Treasurer will audit such payments from time to time, but not less than once every 8 weeks.

Salaries

- Salaries are likely to be influenced by the annual pay awards in the Public Sector. All employees will be paid at least the living wage as defined by the government from time to time.
- However, any increases awarded should reflect the financial standing of the Trust at that time.
- The level of salaries will be agreed by the Board of Trustees.
- Funds may be raised to specifically cover the operation of one or more positions.
- Salaries will be paid on a monthly basis by the 10th day of the month following that in which the work was completed wherever possible.

Payment of Expenses (to Trustees, Staff, Volunteers and Tutors)

- Requests for payments of expenses will be made on the appropriate Expenses Claim Form.
- Tutors may claim car parking expenses. Car parking spaces on the premises should be used whenever possible.
- Tutors may also claim course expenses within the Budget agreed by the Board.
- Trustees and Volunteers may claim public transport, mileage and car parking expenses, both to and from the Centre and to and from other venues visited on behalf of RCLC.
- Outreach workers and other staff may claim public transport, mileage and car parking costs when visiting other venues on behalf of RCLC.
- Crèche workers may claim for materials purchased on behalf of the crèche provided these are within the Budget agreed by the Board.
- Receipts, invoices or other self certification documentary evidence will be attached to the Expenses Claim Form. If no such documentary evidence is available, the Centre Manager may make an exceptional payment in line with the other parts of this section.
- Payments will only be made when Expense Claim Forms have been approved by the Centre Manager or a Trustee who should not be the recipient of such funds.
- Payments may be made by cheque or BACS in accordance with the procedures laid down elsewhere in this document. Payments of less than £10 may be made from petty Cash, again in accordance with the procedures laid down under that section of this document.
- Mileage expenses - rates will not exceed those laid down by the Inland Revenue Fixed Profit Car Scheme.
- Any other expenditure should be within the budget and authorised by the Centre Manager before it is incurred. The Centre Manager may advise the crèche manager and tutors of budgets within which expenditure may be reclaimed. If no

such authorisation has been obtained, the Centre may refuse to reimburse such monies.

Cheque Signatories

- A minimum of 4 Trustees will be authorised to sign cheques, make BACS or other payments on the Bank Accounts.
- The Centre Manager will also be authorised to sign cheques, make BACS or other payments on the Bank Accounts.
- Two authorised signatories are required on all cheque payments, one of whom must be a Trustee.
- For practical reasons, the Centre Manager is allowed to telephone the Bank to advise amounts of any BACS payments to be made.
- An authorised signatory may sign cheques or authorise BACS or other payments which are made payable to themselves, provided there is another authorised signatory on the document or payment.

Bank Account Reconciliation

- Bank accounts shall be reconciled by the Centre Manager or a delegated member of staff on a monthly basis.
- The Treasurer will audit such reconciliations from time to time.
- It is not anticipated that any overdraft or loan facilities are to be incurred, unless a source of repayment is known. The Board of Trustees may agree to request overdraft or loan facilities if a repayment source has been identified.

Petty Cash, accounting, authorisation, checking and cash limits

- Petty cash may be held by the Centre Manager up to maximum of £100.
- Such petty cash may be used for small purchases such as postage stamps, stationery, Board lunches where immediate payment is required. Receipts will be obtained for all such purchases.
- Purchases from petty cash will be authorised by the Centre Manager.
- The person receiving the cash will sign a receipt for the monies.
- A record of all such purchases will be maintained.
- Any donations towards tea and coffee by staff, tutors, outreach workers, volunteers or pupils will be added to the monies held in petty cash. A record of such sums will be maintained.
- The Treasurer will audit these records from time to time.

Purchasing

Raising of Invoices

- Invoices will be raised by the Centre Manager, following preparation or receipt of appropriate documentation.
- All invoices will have a unique sequential number and be recorded in the invoice log.
- Where appropriate, invoices raised will be supported by any applicable documentation available.

Planned Purchases and Capital Expenditure

- Where the Trustees decide to invest in new equipment or other major expenditure, there will either be sufficient funds already held over and beyond the agreed level of reserves or a fund raising exercise will be undertaken before such expenditure is incurred.
- If funds are not already available or cannot be raised, no capital expenditure or new equipment will be purchased.

Assets

Asset Register and Controls

- All major purchases (items over £1,000) should go out to competitive tender in order to achieve the best value for money. At least three written quotes should be obtained. Tenders should take account of the future support costs as these may offset any gains made in the purchase price.
- For purchases up to £1000 it is sufficient to obtain one oral or telephone quotation, but these should include the future support or running costs where appropriate.
- All major purchases (items over £500) must be agreed by the Trustees. This will usually be part of the annual budget process.
- Assets will be depreciated in accordance with the latest requirements of the Charities Commission and the Companies Acts.
- A list of all assets held will be updated annually at the time of the annual report. It is anticipated that the auditor will assist in the preparation of this list.

Investment Policy, Reserves Policy and Contingency Sums

- It is expected that an annual budget will include a contingency of between 2.5% and 5% of total expenditure.

- Whilst it is not expected that the Trust will hold investments of a long term nature, should funds be received for which there is no planned expenditure within the next 6 months, these will be placed in longer term investments (risk free) to attract higher rates of return. In these circumstances, the Trustees will formulate and agree an investment policy and the Centre Manager will maintain records in line with the Charity Commission requirements under their paper CC8.
- Funds held will either be on an unrestricted (general) basis and available for general income and expenditure or on a restricted basis having been received for a specific purpose. Restricted funds may only be spent in discharging the specified purpose for which they were given. The annual accounts will reflect such differences in the monies held.
- The Board has examined the charity's requirements for reserves in the light of the main risks to the organisation. It has established a policy whereby the unrestricted funds not committed or invested in tangible fixed assets are held for 3 months running costs. This figure was set at £30,000 (as at November 2010). The Trustees aim to build towards that amount over time, ensuring that there is at least sufficient monies to cover commitments if the Company had to cease trading. The reserve set is needed to meet the working capital of the charity and the Trustees are confident that at this level the charity would be able to sustain its outgoing for the set period. This policy is in line with the Charity Commission requirements under their paper CC19.

DEBT MANAGEMENT

BACKGROUND

The ongoing financial health of the Trust is closely linked with the quality of service that we provide.

Aims

- To promote payment systems and financial management strategies aimed at avoiding bad debts and which are supported by the implementation of other key financial policies and procedures.
- To encourage clarity in regard to roles and responsibilities of all persons involved in financial management.

Policy Statement

If organisations fail to pay raised Invoices within a reasonable period it is necessary to implement the steps in the debt management policy in order to avoid or limit potential financial losses.

The following are practical steps that enable the Trust to be proactive in the collection of overdue monies.

Implementation

- The steps in this policy will be considered as authorised by the Board of Trustees and not the actions of individuals who are delegated the authority to implement the steps.
- Each case of bad debt will be considered individually, with a degree of flexibility in response where legitimate obstacles are identified e.g. hardship. Decisions to defer or write off debts will be discussed and agreed at Trustee meetings and recorded in the minutes.
- The Centre Manager will keep the Treasurer and Trustees informed at all times of the implementation of any of the following steps.

Steps

1. Verbal Reminder

Invoice has not been paid within 30 days of issue.

- The Centre Manager will telephone the organisation to request payment, with a commitment from the organisation as to when the payment might be expected.
- A written record of this action will be taken and provided to the Treasurer for review.

2. First Written Reminder

Where a verbal commitment has not been honoured within 14 days of the agreed date:

- A polite written reminder will be sent to the organisation detailing the amount outstanding and the date the Invoice was raised. Payment will be requested within 7 days of the date of the reminder.
- A written record of this action will be taken and provided to the Treasurer for review.

3. Second Written Reminder

Payment has still not been received after 14 days of the date of the first written reminder:

- A second written reminder will be sent to the organisation requesting again payment within 7 days of the date of issue of the reminder.
- A written record of this action will be taken and provided to the Treasurer for review.
- The Trustees will be advised of the situation.

4. Final Written Reminder

Payment has still not been received after 14 days of the date of the second written reminder:

- A final written reminder will be sent requesting payment within 7 days, stating that if no payment is received we will hand the matter to our Solicitor for collection, with the possibility of legal action and further costs for which the debtor will be liable.
- A written record of this action will be taken and provided to the Treasurer for review.
- The Trustees will be advised of the situation.

5. Legal Action

No payment is received after 14 days of the date of the final written warning.

- The Trustees would have to agree that Legal Action was necessary in preference to writing off the debt.
- If agreement was reached to continue with Legal Action, the case with supporting documentation and copies of letters issued should be passed to a Solicitor for action.