Resources for small groups

Introduction

Merton Voluntary Service Council works to support and inspire the voluntary, community and faith sectors in Merton.

As part of this work we provide a range of advice and information services.

We are always happy to work on a one to one basis with any group in the borough and can provide specialist support on a wide range of financial matters. We are happy to receive general enquiries as well as requests for specific assistance.

We are aware that small groups, which are often run entirely by volunteers, can find it particularly difficult to get one to one advice and support at times which work well for them.

To help meet these particular needs we have produced a number of fact sheets. The resources in this pack are available at our web site (www.mvsc.co.uk). There you will also find fact sheets about starting and managing groups and a range of sample policies and procedures which you can adapt to your own specific requirements.

We hope you find this information useful in the management of your own voluntary, community or faith organisation.

Lola Barrett
Chair
MVSC

Contents

Accounting requirements for small groups

This Fact Sheet covers the accounting requirements for groups:

- Where **both** income **and** expenditure is less than £100,000
- That are **not** limited companies; and
- Have opted **not** to prepare accounts on the accruals basis.

The requirements that apply to larger groups, and to groups that are also limited companies, can be found in other fact sheets and publications.

This Fact Sheet is confined to the requirements imposed by charity law. Other, more onerous, requirements could be imposed by your constitution or your funders. You should always check these before applying the principles set out here.

Accounting records

Proper accounting records must be kept by all charities, however small.

The records must show and explain the transactions carried on by the charity.

These must contain:

- A record of all sums of money received and paid by the charity
- The date of the transaction
- A brief description or explanation of what each receipt or payment was for
- A record of the charity's assets and liabilities

Annual accounts

Small charities are permitted to prepare accounts on the receipts and payments basis. This means that you should only include in the accounts money received and paid during the year in question.

The financial statements you need to prepare must show your financial position at the end of the year and the financial activities (receipts and payments) over the course of the year.

Fund accounting

If you have more than one Fund (for example money that can be spent to further any of your charitable objects, known as Unrestricted Funds, and money that has been given to you for a specific purpose or project, known as Restricted Funds), you must account for these separately.

For each Fund, you will have to present the accounts so that they reveal what are the income and expenditure and the assets and liabilities of each Fund. This can be done either by presenting accounts for each fund separately or using a columnar format.

Annual report

If you are a registered charity the annual report must contain:

- A brief summary of the main activities and achievements during the year
- The name of the charity as it appears on the Register of Charities and any other name by which it is known
- The registration number of the charity
- The principal address of the charity
- A description of the objects of the charity and of the purpose of any Restricted Funds
- A description of the policies (if any) which have been adopted by the charity trustees
- The names of the charity trustees, anyone who has served as a trustee during the year and any person or organisation that is entitled to appoint trustees, and a description of the method provided by those trusts for such an appointment
- The signature of one or more trustees, each of whom has been authorised to do so, and the date the report was signed

If your trustee body is more than 50, you need only show the names of 50 trustees.

If you feel that disclosing the names of trustees and/or the address of your charity could endanger people's safety, you can apply to the Charity Commission for a dispensation not to include the information in the Annual Report

If your charity is so small that it does not have to be registered:

- There is no requirement to prepare a report

If your charity is unregistered because it is an exempt charity:

- You need only prepare a report if requested to do so by the Charity Commission

Audit or independent examination

If your income is below £25,000 you will only have to have your accounts audited or independently examined if is a requirement in your constitution or it is a requirement of one of your funders.

Presentation

A Receipts and Payments Accounts Pack is available from the Charity Commission. This contains forms which when completed will meet the Commission's requirements for an Annual Report and Accounts. It is acceptable to the Commission to send in the completed forms as your Report & Accounts though you may wish to prepare something that looks more professional for your members, users, funders, etc.

Public availability

Charity accounts are a matter of public record, therefore:

- You must make a copy of your accounts available to the public on written request
- You can make a reasonable charge – for example to cover the cost of copying and postage
- Requests for accounts must be met within two months of receipt

Retention of records

You should retain your accounts and the supporting accounting records for the last 6 completed years.

Further advice & information

Charity Commission Publications:

- Charity reporting and accounting: the essentials (CC15b)
- Receipts and payments accounts pack (CC16)
- Independent examination of charity accounts: trustees (CC31)
- Managing charity assets and resources: an overview for trustees (CC25)
- Trustee expenses and payments (CC11)
- Internal financial controls for charities (CC8)

Budgets for small groups
15 steps to effective financial control

This Fact Sheet is aimed at very small groups that have:

- Both income and expenditure of less than £10,000
- No staff
- No premises
- Limited financial expertise

Whatever the size of your group, it is vital that you set a budget before the start of each financial year and monitor progress against that budget. This will help ensure that your expenditure stays within your limited resources.

In the smallest of groups the procedures adopted for doing all this do not need to be sophisticated to be effective but they must be present. Whilst it is likely that the Treasurer will be responsible for carrying out just about all the steps described below, you must remember that all trustees are jointly responsible for the management of a group’s money.

15 steps to effective financial control

Step 1 Set a timetable

If you don’t do this you may find you do not have a budget for the new financial year or that you have to prepare one in a hurry and miss out a lot of information. So leave yourself plenty of time to complete the exercise. This means that if, for example, your financial year starts on 1 April it is not a bad idea to start work on the budget in January.

Step 2 Gather your information

Identify all the items you might need to spend money on, all your sources of income and all the projects for which you will need to prepare a separate budget.

Next gather information that might help you work out how much you might expect to receive or spend. This is likely to involve looking at past accounts, your progress against your current year's budget, price lists from your suppliers and the experience of other, similar, voluntary groups.

If you are preparing a budget for a new group or project you will have to rely much more on the latter two sources of information.

Remember that the better the information you are working from, the more accurate your budget will be. This makes it well worth investing time at this stage.

Step 3 Put together an expenditure budget

From the information you have gathered, estimate what you need to spend on each item of expenditure. Break this down into individual projects if you have a need to account for them separately – e.g. because you receive some funds that can only be spent on a specific project.

Exactly what items you need to consider will depend on what you do but amongst the common items a small group is likely to have to consider are:

- Postage
- Telephone, fax, internet charges
- Printing, stationery and photocopying
- Computer consumables
- Bank charges
- Publicity material
- Volunteers' (including Management Committee) expenses
- Newsletter costs
- Event costs
- AGM costs
- Costs of fundraising

Step 4 Work out what income you need to cover expenditure

Once you have identified and calculated all your expenditure, total it up to find out how much income you need to cover it all. Again, remember to separate out the expenditure on any projects for which you receive separate funding.

Step 5 Work out what income you have secured

Go back to your research and work out how much money you know you will receive or can reasonably expect to receive over the next year. This might include:

- Grants
- Membership fees
- Donations
- Income from fund raising events

- Bank interest
- Surplus income carried over from previous periods

Step 6 Work out what extra funding you need

Once you have estimated what your total income and expenditure might be, you will know whether you are likely to have a surplus or shortfall for the year. Again, make sure you do this for individual projects, if applicable.

If you predict a surplus, fine – but do check your figures to ensure it is really a surplus.

If you predict a deficit, you must decide how it can be eliminated – you must aim at least to break even, i.e. ensure your expenditure equals your income.

One obvious way will be to increase you income by:

- Applying for grants
- Increasing membership fees
- Holding additional fund raising events
- Increasing charges for services or entry to events

If you are proposing any of these things, you will need to get them approved by your Management Committee before you can finalise the budget. If you are applying for grants you will have to meet the deadlines of the awarding organisations. These are both good reasons for an early start on preparing the budget.

Step 7 Revise the budget so that all expenditure is covered by income

If it is not possible to increase income, then the only option to get the budget to balance is to reduce expenditure. Go through each item of expenditure and ask yourself the question, "Is it necessary to spend this much?" Work out the implications of any cuts that you make – will it adversely affect what you can do during the year?

If what you plan to do will be severely affected by cuts in the budget, you will have to bring it to the attention of the whole Management Committee. Present them with options so that reasoned decisions can be made – especially if some planned activities might have to be shelved.

Step 8 Get the budget approved

Once you have finalised the draft budget, it should be presented to the whole Management Committee for its approval. This is likely to be a matter for the last meeting of the financial year.

Step 9 Divide up the budget for monitoring

It can be useful to allocate income and expenditure to accounting periods so that it is easy to determine at any point in the year whether you are ahead or behind budget. The most common way of doing this is to assume that all income is received and expenditure incurred evenly throughout the year and divide up the annual budget into monthly parcels by dividing by 12.

Step 10 Write up the books

The information you will use to monitor income and expenditure will come from your books of account. It is therefore vital that you keep these up to date. Failure to do so will mean that you fail to include items of income and expenditure in the figures you compare with your budget. As a result you will get a false impression of your financial position. This in turn could result in you taking actions that you would not have taken if you knew the true picture – e.g. spending money you thought you had but which had already been spent.

Step 11 Prepare your financial report and investigate variances

Periodically – at least once a quarter – you should compare what you have actually received and spent with what you budgeted. This can be done by preparing a simple report such as that shown at the end of this Fact Sheet.

If there are differences, you should find out why they have incurred.

Step 12 Present your report to the Management Committee

As financial management is the responsibility of all the members of the Management Committee, a report on the finances should be a standard feature on any agenda. Again, it is suggested that Management Committees should receive a financial report – usually that prepared during Stage 11 - at least quarterly.

Members of the Management Committee should be concerned if they do not receive a financial report on a regular basis. Ideally they should have some input into the design of the report they receive i.e. telling the Treasurer what they want rather than accepting, without question, what the Treasurer provides. This ensures that information is provided in a way that members understand.

Step 13 Answer questions

When presenting the financial report, the Treasurer should actively seek questions from other members of the Management Committee. Not only does this confirm that they understand and are interested in the group's finances but also can produce ideas that the Treasurer has not thought of.

Step 14 Act on feedback

The review of actual performance against budget might highlight a need to change what the group had planned to do. It might, for example reveal that:

- Certain expenditure needs to be curtailed
- More fund raising is required
- The group can do more that it originally planned as it has money to spare.

If such a need is identified, ensure the whole Management Committee is committed to the action and that it is carried out.

Step 15 Do it all again for the next year!

Example of a Financial Report

The Small Group
Financial Report for The Period: 1 April to 30 June 2000

Item	Annual Budget £	Period Budget £	Actual Spend to Date £	Difference £	Explanation
INCOME					
Lottery Grant	8,000	2,000	4,000	2,000	Grant for 6 months received in advance.
TOTAL INCOME	8,000	2,000	4,000	2,000	
EXPENDITURE					
Stationery & Post	800	200	300	(100)	Letterhead paper printed to give stock for whole year.
Event Costs	5,400	1,350	900	450	Events programme started late.
Volunteers' Expenses	1,200	300	500	(200)	Larger number of volunteers than anticipated was required to set up and run events programme.
AGM	120	30	NIL	30	AGM scheduled for December.
Telephone	480	120	120	NIL	
TOTAL EXPENDITURE	8,000	2,000	1,820	180	
SURPLUS/ DEFICIT	NIL	NIL	2,180	2,180	

Notes:

1. A budget for the period to 30 June has been calculated by dividing the annual budget into 12 and multiplying by 3. This enables a fair comparison with the actual expenditure to be made. Note, however, that this is a fairly crude way of dividing up the budget, as some expenditure such as the AGM is not spread equally throughout the year.

2. The overspend on stationery would not cause concern at this stage as the forecast is that the group will stay within budget for the year as a whole.

3. As the group's events programme started late, one would expect that the associated costs would be lower than the original budget. The £450 saving has been built into a forecast for the year. The committee should be concerned if this lower figure is exceeded.

4. The volunteers' expenses figure should give rise to concern. It is clear either that the budget has been underestimated or that there has been a lack of control over what has been spent. The committee would need to get a full explanation of what has happened and institute some action to rectify the situation.

Financial Feet Finder

A Financial health check is a "friendly" scrutiny of your financial systems and procedures by an independent person with a view to discovering areas where improvements are needed. It is not an audit of your accounts. The report and recommendations all aim at suggesting improvements to your systems and procedures.

Voluntary groups and charities (like any other businesses) need good financial systems so as to avoid running out of money and avoid allegations of fraud. Good financial systems enable them to spot problems quickly and adjust their activities before things get out of hand. It is the aim of the financial health check to ensure you have good and effective financial systems.

Advantages

A financial health check has many advantages. It:

- Gives comfort to trustees and staff that they are doing things right
- Gives confidence to grant makers and/or supporters that their money is in safe hands
- Makes recommendations for improvements in systems and procedures
- Does not play the blame game; it does not point any accusing figures at anyone
- Points your organisation in the direction of legality and accountability

There is a shorter version of the full financial health check called Financial Feet Finder which is more suitable for small groups. It takes approximately half a day to complete. You may complete it on your own at your own pace and later discuss your answers with the MVSC Community Accountant or it can take the form of an interview with the Community Accountant completing the form from your answers.

The end report covers the following areas, among others:

Background and governance

This covers background information about the group: aims and objectives, mission, a short history of the group, constitution, the composition of the management committee, key personnel such as the Chair, Treasurer and Secretary and, in some cases, the Director or Chief Executive.

Annual reports and accounts

Are your financial statements prepared in accordance with recommended practice, SORP? Are they filed on time, etc…? If not, what are the problems and how can they be resolved? This analysis helps the Community Accountant determine what level of assistance you need.

Financial planning

This covers areas of budgeting and cashflow forecasting. Do you prepare budgets and cashflow forecasts on time? Do you use your budgets the right way, as a tool of management?

Internal financial controls

A financial health check looks at the systems of internal financial controls that you have to determine, for example, the control over purchasing, payments, receipts and petty cash systems.

Volunteers

Are you treating your volunteers, if any, the right way? Do you pay them a flat rate per hour, day or week? Is that right? What procedures do you need to follow when you engage volunteers? Do you have a volunteer policy? Etc.…

Assets management

The financial health check will look at your Assets Management Policy and procedures and assets security, among other areas.

Full cost recovery

What is Full Cost Recovery?

Full cost recovery means securing funds for the direct cost of projects plus a relevant portion of overhead. Support costs such as management, administration and premises are important element of a project, therefore it is essential to include them in any funding application formula. Traditional cost calculation models such as crude percentage based cost allocations suffer from lack of accuracy and lead to either double funding or under recovery of true overhead costs.

Historical development

The concept was first recognised by HM Treasury in its 2002 cross cutting review, *The role of the voluntary sector in service delivery.* This states “Funders should recognise that it is legitimate for providers to include the relevant elements of overheads in their costs estimates”. The current funding environment supports full cost recovery. Grant makers such as Big Lottery Fund have developed a tool kit and full cost recovery template that can be used by voluntary and community organisations. Many local authorities, including Merton, have now accepted the concept of full cost recovery. SORP 2005 also recognises full cost recovery and has similar expenditure headings such as fundraising and governance costs.

The process

The key principles of the full cost recovery model are:

- analysing and counting the costs of the organisation
- reviewing costs
- allocating costs appropriately via cost drivers

- applying for funding the full costs incurred by the organisation.

This is done by first collecting all the categories of overheads such as premises and office, central functioning, governance and fundraising costs and then sharing them to the projects on a recognised cost allocation basis.

A full cost recovery template helps with calculating the full costs of projects and activities, using the following basic process:

1. calculate direct costs of the project or activity
2. calculate the total overhead costs for the whole organisation
3. allocate a relevant portion of each overhead cost to the project or activity

Challenges

Many funders do not understand the legitimacy and importance of full cost recovery and many voluntary and community organisations have yet to establish an effective cost allocation system for their services. Sometimes funders are reluctant to contribute towards indirect costs. Funders have specific goals and areas of priority and overhead funding is not one of these.

Opportunities

Setting up and maintaining a full cost recovery system will increase the sustainability of an organisation. Therefore it is important to know the full cost of a project before applying for grant or bidding for a service contract. Lack of appreciation of this concept will lead to poor decision making and underperformance by the entity.

Glossary

Overhead Costs: Overheads are the costs of activities which provide indirect support to project. They are needed to support and administer projects or activities. They relate to the whole organisation since they cover all projects and generally do not relate specifically to one project.

Template: A tool to help third sector organisations calculate the full cost of a particular project or service including both direct costs and relevant portion of overheads.

Cost allocation: Allocating your costs simply means dividing or splitting on a reasonable basis the costs that are shared among different people or different projects. To do this you need to determine the “driver” of each type of cost, i.e. the factor(s) which affect whether it increases or decreases. For example headcount (or number of staff) is a common cost driver for allocating premises and office costs.

Managing petty cash

Getting started

Having a well-organised petty cash system is an important part of managing your organisation's finances. This fact sheet sets out some basic rules for handling cash.

To set up your petty cash system you will need:

- A box or tin to keep the money in (and a safe place to keep the tin)
- A book of petty cash vouchers
- A petty cash book
- A file or ring-binder to keep your receipts

You will need to decide who is responsible for managing the petty cash system. It is usually best if just one person makes payments from petty cash and keeps the books and paperwork in order.

Another member of the group should make a regular check to make sure that the money in the tin matches the balance in the petty cash account. You will also need to agree the maximum amount of money to be kept in the petty cash tin at any one time.

The imprest system

Many groups use an imprest system for their petty cash. For example you may decide that the maximum level of petty cash should be £50. A cheque is drawn for cash for this amount. Expenses are paid out of this money and when the cash tin is balanced up, another cheque is drawn to top the petty cash float up to the agreed amount.

Keeping records

You should always get a receipt for items purchased from petty cash. This should then be stapled to a petty cash voucher. Make sure that you put a reference number on the voucher, and cross-reference *this to the petty cash book.*

Make sure that each voucher is signed by two people. Put all the petty cash receipts for the month in an envelope or folder in number order.

Petty Cash Voucher	
Date 4th November 2000	***Ref.*** 123
Milk	48p
TOTAL	48p
Signed Mary Smith Passed by *Harry Jones*	

All the petty cash transactions should be recorded in the petty cash book as follows:

PETTY CASH BOOK

		Date	**Ref.**	**Total**	**Stamps**	**Paper**	**Groceries**
Balance at 1st Nov	50.00	4th Nov	123	0.48			0.48
Less expenditure	14.00	7th Nov	124	10.00	10.00		
	36.00	7th Nov	125	3.52		3.52	
Add		**Total exp**		**14.00**	**10.00**	**3.52**	**0.48**
Cheque drawn (no 100)	14.00						
Balance at 8th Nov	50.00						

The balance brought forward less the money spent, plus the cash drawn from the bank should equal the cash in the cash tin.

Balance up the petty cash regularly – do it every week if there are lots of petty cash payments, that way it's easier to find any mistakes.

If you do make a mistake, and the petty cash doesn't balance, make a note of the difference in the petty cash book, and tell other members of the group.

Sometimes groups receive cash from people, for example for refreshments or membership fees. It is very important to make sure that this money is paid into your group's bank account, and not used to top up petty cash.

Opening and operating a bank account

Choosing a bank

Many banks operate in the High Street. Others operate postal accounts or via the Internet. Some are businesses whose motivation is profit; others are 'not for profit' organisations.

So which is the best for you? It is a question of contacting a number of banks, balancing a number of factors and coming up with a solution that works for you – there may be no ideal bank. Among the factors you should consider when choosing a bank are:

Type of account

Some banks have accounts tailored specifically for small voluntary groups. In return for low or no charges they may have restrictions on the number of transactions in a month or the amount of money that can be held in them. Deals vary so it is wise to shop around.

Access

All monies you receive should be banked as soon as possible. What hours does the bank open? Is it nearby? Are there often long queues? Will you be allocated a named member of staff who will personally look after your account and deal with your queries?

Do you have much cash to bank?

Some banks charge extra for handling cash deposits. If you do need to bank cash frequently – particularly large amounts – the Post Office may be a good option.

Bank charges

Ensure that you are aware of what each bank would charge you for and how much. As well as charges for simple transactions like cheques and deposits, there may be extra charges such as fees for stopping a cheque or confirming balances to an auditor.

Bank interest

If you have surplus funds over and above immediate needs, it is advisable to invest them in a deposit account where they can earn interest until you need them.

It is possible for your bank to 'sweep' your current account daily so that any balance over, say, £500 is transferred automatically to a deposit account. There are also specialist banks such as the CAFCash that operate high interest cheque accounts where you both receive high interest and pay low charges (though you will need to be a registered charity to access this account). Remember too that charities should receive their bank interest gross (i.e. without deduction of tax).

Telephone and electronic banking
Does your bank offer you the facility to move funds and pay bills either by telephone or via the Internet? These may be an easier way for a small group to operate a bank account. If you do want to use such facilities, you will need to put into place security safeguards like passwords so that only authorised officers can access the services.

Ethical policies
You should check the investment policy of the bank to ensure that it does not conflict with your charitable objectives. For example a charity involved in animal welfare may not want to use a bank that invests heavily in companies engaged in research involving animals.

'Not for profit' banks
A number of banks (such as CAFCash and Unity Trust) operate on a 'not for profit' basis. Where they offer good deals, it may be a matter of principle for you to want to keep your funds in the 'not for profit' sector.

Setting up your banking arrangements
Having selected your bank, you will need to take a number of steps to open the account and ensure its smooth operation.

The bank mandate
You will need to appoint the people who will be authorised to operate the account by passing a resolution at a meeting of your Management Committee. The bank will provide you with the appropriate wording of the resolution. It will also provide a form for you to complete with relevant names, addresses, dates and other details. The resolution will form the Bank Mandate and instructs the bank on how you want to do business with it, who is to sign cheques and any other instructions.

Account name
Ensure that the Bank Mandate shows the correct name and status of your organisation. If you are a company limited by guarantee, advise the bank accordingly. If you are a registered charity, advise the bank of your registration number, as this ***MUST*** be printed on your chequebook.

Signatories
The bank should be instructed to accept any two signatures from a nominated panel. Generally the panel will be made up of Management Committee members – usually the officers.

The size of the panel should be sufficient to ensure that cheques can always be signed when needed but not too large to dilute control of what is being moved out of your account. Four signatories will probably be a working number for a small group but your needs may be different. If you have staff and it is necessary to include them as cheque signatories, you should set clear limits on their powers (e.g. a monetary limit or one signatory always being a trustee).

Raising and signing cheques
There are some basic rules that should be observed to ensure that your group's money is not misspent.

- A named person should be responsible for holding the chequebook, which should be kept under lock and key.
- Blank cheques should ***NEVER*** be signed.
- Whenever possible, the same person should not be responsible for ordering, processing and checking invoices, authorising payments, raising cheque requisitions, and signing cheques.
- If, ***in exceptional circumstances***, it is necessary to sign a cheque where the payee is written in but the amount is left blank, the cheque should be crossed "Not to exceed £…."
- The cheque stub should always be filled in.
- Every payment from the organisation's bank account should be supported by an original invoice or expense claim form (never a supplier's statement or final demand).

- It is vital that cheque signatories take their duties seriously and do not sign any cheque presented to them without inspecting carefully the supporting documentation. Each person who signs a cheque should ensure that the following is written on the invoice or cheque requisition slip:

    - Cheque number
    - Date cheque drawn
    - Amount of cheque
    - Who signed the cheque

The only exceptions to cheques not being supported by an original invoice are for such items as advanced booking fees for training courses, VAT etc. Here a cheque requisition form should be used and a photocopy of the cheque kept. If, later, a receipt is issued by the supplier, this should be pinned to the cheque requisition form.

Reporting to the committee

Introduction

All members of the Management Committee of a voluntary organisation are responsible for the organisation's financial management. This means it is important that everyone is kept up to date with the organisation's financial position.

A key role of the Treasurer is to prepare financial reports for committee members.

What you need to know

Committee members will need to know about:

- How much money has been received by the organisation, and from where
- How much money has been spent, and how
- Any restrictions attached to funding
- How the actual income and expenditure of an organisation compares to the budget forecast, and the reason for any differences
- What money the organisation is owed, and what it owes

Below is an example of a Treasurer's Report, which can be used as a framework for preparing your committee report. Obviously you will need to add in budget headings that are relevant to your group.

The report covers a period of 6 months and gives figures for the half year. A report like this should be prepared at least every three months, or even on a monthly basis if there is any risk of the group having a shortfall of income to cover its costs.

Treasurer's report

Income and expenditure for the first 6 months of the financial year are as follows

	Budget 12 months	Budget 6 months	Actual	Notes
Income				
Council grant	3,500	1,750	3,500	(a)
Members' fees	250	250	300	(b)
A trust (restricted)	500	500	500	(c)
Total	**4,250**	**2,500**	**4,300**	
Expenditure				
Rent	2,000	1,000	2,000	(d)
Stationery & post	250	125	200	(e)
Heat & light	100	50	50	
Insurance	100	50		(f)
Phone	200	100	90	
Volunteer expenses	300	150	100	(g)
Audit costs	500	250	500	(h)
Outing (restricted)	500	500	500	(c)
Total exp.	**3,950**	**2,225**	**3,440**	

Notes

(a) The grant from the council for the year has been received in full.

(b) We have had 20 new members, and so have had more income than we originally budgeted for. Everyone has paid their fees.

(c) The grant for our summer outing was received in June. All this money was spent on an outing to Thorpe Park.

(d) We have paid the rent for the year in full.

(e) We have overspent on stationery and postage because we used some money to get a leaflet printed. There is an unpaid stationery bill for £50. It looks like we will overspend by about £125 in this year.

(f) Insurance is due for payment next month.

(g) Volunteers' expenses are lower than budget because not everyone is claiming expenses.

(h) The audit fee has been paid in full.

Our cash position is as follows:

Balance brought forward on 1st April	400	
Add actual income		4,300
		4,700
Less actual expenditure	3,440	
Cash at bank		1,260

The cash at bank figure has been agreed to the bank statement. A copy of the bank statement is attached.

Projected expenditure

Over the next six months we are planning to spend:

Heat & light	50	
Insurance	100	
Stationery and post	125	(this includes the unpaid bill)
Phone	100	
Volunteer expenses	150	
Total	**525**	

This should leave us with a balance of £735 at the year-end. I suggest that we transfer £500 into a deposit account to earn some interest.

Setting up a bookkeeping system

The need

One of the most important aspects of financial management is making sure that all the transactions of your organisation are accurately recorded. A good bookkeeping system is an essential part of this.

First steps

When you are setting up your account books, it's worth spending some time planning what headings you will use to record the information.

You need to think about

- What different things you will be spending money on
- Where your income is going to come from
- Whether there are any conditions attached to how income can be used
- What information you want to be able to extract from your accounts

The best starting point is to look at your organisation's budget. The headings you use in your budget should match the headings you use in your account book. This makes life much easier later on when you are trying to monitor expenditure, or trying to draw up a budget for a new financial year.

You also need to think about matching income and expenditure when you have been given money that can only be used for a specific purpose. It is best to have a separate heading for each restricted fund.

Keeping the records

You will need to consider procedures for receiving money and making payments. For example if you receive a cash payment, you should always give a numbered receipt, and all cash received should be paid into the bank. If you receive a grant from the local authority or a charitable trust, you should make sure that you keep a copy of all documentation relating to it. This should all be kept together in a ring binder marked *Income*.

Similarly, you will need to keep all receipts and invoices relating to expenditure. It's a good idea to have a file for unpaid bills, and anything awaiting payment should be put in here as soon as it is received. A cheque requisition form should be raised for all payments, and this should be stapled to the receipt or invoice. A sample cheque requisition form is at the end of this document.

All paid receipts and invoices should then be filed in a ring binder marked *Expenditure* in number order.

You must make sure that you keep all financial records—including receipts and invoices—for at least six years.

Writing up the cash book

Key features of a page from a Cash Book are shown in the image below.

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
1	**Income**								**Expenditure**								
2																	
3	**Date**	**Detail**	**Ref**	**Total**	**Grants**	**Donations**	**Other**		**Date**	**Detail**	**Chq no**	**Total**	**Rent**	**Lottery**	**Phone**	**Stationery**	
4																	
5	1.11.00	Council grant	5	1000	1000				1.11.00	Mr Jackson	201	500	500				
6	3.11.00	Lottery grant	6	500	500				4.11.00	The bus company	202	350		350			
7	7.11.00	Mr Smith	7	50		50			4.11.00	Legoland	203	150		150			
8	30.11.00	Mrs Jones	8	30		30			7.11.00	BT	204	45			45		
9	30.11.00	Bank interest	27	10			10		24.11.00	R Penn	205	40				40	
10																	
11	**Total income**			**1590**	**1500**	**80**	**10**			**Total expenditure**		**1085**	**500**	**500**	**45**	**40**	
12																	
13																	
14	Total April - Oct			1110	1000	95	15			Total April - Oct		672	500		75	97	
15	Total to date			2700	2500	175	25			Total to date		1757	1000	500	120	137	
16																	
17																	
18																	
19	Balance at 1.11.00			1200													
20	Add November income			1590													
21				2790													
22	Less November expenditure			1085													
23	Balance at 1.12.00			1705													

Note the following:

- The figures for total income and total expenditure add up across as well as down. This is a helpful way to check the accuracy of your work.
- Each item of income has a reference number. This should also be written on the documentation relating to income. Interest received is referenced to the number on the bank statement.

- Each item of expenditure is cross-referenced to the cheque number. The receipts and invoices should be filed in a ring binder in cheque number order. This makes it easy to find any document if you need to check anything.
- In this example, there is a separate account heading for lottery expenditure. This makes it easy to see how money received for a particular purpose (in this case an outing) has been spent.
- Total income and expenditure for the year is shown. This makes it easier to keep track of spending, and to make sure that you are not spending over your budget.
- The balance carried forward to the next month needs to be checked against the bank statement. There is a separate fact sheet on bank reconciliation.

The role of treasurer

The work undertaken by the treasurer will depend on the size of the organisation and whether or not it employs staff. In small organisations it will usually be the treasurer who takes responsibility for keeping the organisation's financial records up to date. Larger organisations are more likely to employ staff to do this work. The treasurer then takes on more of a supervisory role. Where any duties relating to the financial management of the organisation are delegated, the treasurer must make sure that the work is being properly carried out.

It is important to remember that all members of the management committee have a statutory duty to make sure that the organisation is managing its money properly. This means that everyone on the committee should take an interest in the organisation's financial position, even though the treasurer will play a lead role. Many people feel nervous about financial management, and not everyone feels confident about understanding figures. A good treasurer tries to support other people on the committee to understand the financial information they are presented with. This helps individual management committee members to participate in decision making, and helps to make sure that the committee as a whole is meeting its legal responsibilities.

Treasurer's job description

Overall roles and responsibility:

The treasurer is responsible for maintaining an overview of the organisation's financial position and ensuring that proper financial records and procedures are maintained

Specific duties

- To oversee budgets, accounts and financial statements, including presentation of financial reports to the management committee.
- To be assured that the financial resources of the organisation meet its present and future needs

- To ensure that appropriate financial regulations, accounting procedures are in place and observed, including ensuring that accounts are audited in the form required by law and are included in the annual report and submitted to relevant statutory bodies.
- To keep the management committee informed about its financial duties and responsibilities.
- To make formal presentations of the accounts at the annual general meeting.
- To meet the external auditor once a year.
- To sit on appraisal, recruitment and disciplinary panels as required.