

Northumberland **FACT** Sheet



working together for the voluntary & community sector in Northumberland

Financial Management

No matter how new or how small your community group is, you will need to be financially accountable to your members and any funders or donors. Accountability means being able to demonstrate that all transactions are recorded, all payments are authorised, all necessary financial information is available, and nothing goes astray. For all of this you will need to have financial controls in place.

The following points are recommended good practice for new and existing small community groups. Please use them as a guide to improve the financial management of your group.

The Treasurer

The group must nominate an appropriate treasurer to take responsibility for recording and managing all money. However, the whole management committee is responsible for the money of the group, not just the treasurer. It is recommended that the treasurer should take part in training on book keeping and financial management. The rest of the management committee may also benefit from this training.

Financial records

The group must keep a proper record of money, and must have

- A cash book (or similar computerised system) to write down all items coming in and going out. The cash book must be kept up to date
- A petty cash book /system
- A file for receipts and invoices

Financial year

The group must agree on their financial year running from _____ (month) to _____ (month). You can choose when your financial year starts and finishes to suit your activities, however the UK financial year runs from April to March.

Annual accounts

The group must put together a summary of the year's incomings and outgoings within 2 months of the end of the financial year. This should be signed by the Treasurer or Chair. The accounts should also be checked by an independent person if your annual income is more than £10,000. The summary must be presented to the group's annual general meeting.

Regular reporting to the committee

The Treasurer must give reports to the management committee at every meeting. This will include a summary of the money coming in and going out since the previous meeting. This is essential because **the whole management committee has responsibility for the groups' money, not just the treasurer.**

Bank account

The group must open a bank or building society account in the name of the group. The account should have a cheque book. The group will ask the bank to send them regular bank statements. The statements will be used to check what money has gone in and out of the bank.

Signing cheques

Two people out of a pool of three or four must sign each cheque; the two signatories on a cheque must not be related or living in the same household. The pool of people must be agreed at a management committee meeting and usually have to visit the bank in person with proof of identity in order to become authorised signatories. Any money to be spent must be approved by the management committee beforehand. No one must sign a cheque that is payable to them or to someone who is related to them or living in the same household. No one should ever sign a blank cheque (that is, a cheque on which the payee or amounts have not been completed). This is to protect the signatories, in case of fraud. All cheque stubs/records must be filled in with the date, to who it is payable and the amount.

If the group is issued with a "debit card" all withdrawals and transactions should be closely monitored and must be approved by the management committee beforehand.

Money coming in

All money the group receives must be written in the cash book and paid promptly into the groups' bank account. Money coming in must not be put in the petty cash tin. It is very important to keep an up to date record of all the money coming in, to balance the books at the end of the year.

Money going out

The management committee must properly agree all money going out. Every payment must have paper evidence to support it eg, an invoice or receipt. The group must write on the invoice the cheque number, date of the cheque, the amount and who signed the cheque.

Petty cash

Cash should only be paid in exchange for a receipt (no exceptions) and all items must be for the group's work. A recommended maximum of £30 will be held in the petty cash tin, but if it runs low it can be topped back up to £30 as often as you need. The group will write a cheque payable to 'cash' to top the petty cash up to £30. Petty cash must be kept in a safe place.

Petty cash vouchers and book

The group will fill in petty cash vouchers for each payment out of petty cash. The voucher will include the date, the amount, what it was for and who it was paid out to. The person getting the money and the person giving the money out must both sign the voucher. These must be different people. The person claiming the money must have a receipt and this should be attached to the voucher and filed. The date, amount and what it was for must also be written in the petty cash book.

Expenses

Money can only be claimed for out of pocket expenses such as

- Travel expenses with a bus or train ticket
- Car mileage (using standard rates or a reasonable rate set by the management committee)

The management committee may decide to pay money for other out of pocket expenses. This

must be agreed at a management committee meeting. No member of the group can be paid for their time.

Cash Flow Forecasts

Cash flow forecasting is the estimation of income and expenditure over a given period (including timings and amounts). It is a tool to plan your organisation's expected budget over a period of time. Whilst it can never be 100% accurate, it does provide an indication of where financial problems may occur and give you time to plan and manage any financial risks.

Forecasting

Is based on past performance and on "best guess" information regarding figures. As time goes by, forecasts should be checked against actual performance to make sure no significant variance has occurred.

Budgeting

The group will plan a budget at the start of the financial year to cover the planned work for the next year. This should show how much you think it will cost to run your activities and how much money is needed. A budget generally refers to a list of all planned expenses (costs) and revenues (income). Budgets can be produced for a whole organisation or, for individual projects (or both). A Budget should include an overall figure for the cost of the projects and any income that has been secured to cover these costs.

When producing a budget, be realistic, even if you do not have an exact figure, be as exact as you can. Have a breakdown of costs for each service or function, including the cost of admin and rent for each project. Never underestimate your likely costs in order to make your project seem less expensive than it really is. This will only lead to a shortfall in the project.

Similarly do not try to overestimate costs, especially if you are looking for funding, as this may reduce how much support you are offered if it is believed that others can do it more cost effectively. Please see example cash flow forecast attached.

Financial Training

Please check our websites for details of any upcoming financial management training.

Your local development agency (LDA) has access to a wide range of resources to help with the financial management of your organisation. For more information, advice and support contact the LDA covering your area.

For rural Northumberland contact:

Community Action Northumberland

UNIUN Enterprise Building Front Street Pegswood Morpeth
Northumberland NE61 6RG
Tel: 01670 517 178 Fax: 01670 511 400
Website: www.ca-north.org.uk email: info@ca-north.org.uk

Registered Company No 7805401 Registered Charity No's 1144604 / 224798

For Blyth, Cramlington and Seaton Valley contact:

Community & Voluntary Action Blyth Valley

22 Beaconsfield Street Blyth Northumberland NE24 2DP
Tel: 01670 353 623 Fax: 01670 365 783
Website: www.cvabv.org.uk email: info@cvabv.org.uk

Registered Company No 5860971 Registered Charity No 1116430

For Ashington, Bedlington and Newbiggin by the Sea contact:

Wansbeck Centre for Voluntary Service

107 & 109 Station Road Ashington Northumberland NE63 8RS
Tel: 01670 858 688 Fax: 01670 784 160
Website: www.wansbeckcvs.org.uk email: enquire@wansbeckcvs.org.uk

Registered Company No 5980151 Registered Charity No 1119404



This Northumberland **FACT Sheet** is being funded by Northumberland County Council via Connect 4 Change

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Community Action
Northumberland

Supporting Communities,
Enabling People

working together for the voluntary & community sector in Northumberland

Projected Cash Flow Forecast

Income	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total income for 12 months
Currently in Bank	650.00												650.00
Grant from Lloyds TSB Foundation	1500.00												1500.00
Grant from Community Foundation	750.00												750.00
Grant from Awards for All	1500.00												1500.00
Members subscriptions	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	120.00
Raffles	30.00	30.00	25.00	25.00	30.00	30.00	30.00	30.00	35.00	25.00	40.00	40.00	370.00
Bingo	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	360.00
Bring and buy		45.00	30.00		50.00	30.00		50.00	30.00		50.00	30.00	315.00
Charity Fair		75.00			100.00			75.00		75.00		100.00	425.00
Tea/coffee	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	180.00
Total Income	4485.00	205.00	110.00	80.00	235.00	115.00	85.00	210.00	120.00	155.00	145.00	225.00	6170.00

Expenditure	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total expenditure for 12 months
Room rental	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	600.00
New furniture						500.00	1000.00						1500.00
Trips away			300.00			200.00			250.00				750.00
New PC and printer		1500.00											1500.00
Tea/coffee/biscuits	25.00			25.00			25.00			25.00			100.00
Raffle/bingo tickets	50.00					50.00						50.00	150.00
Total Expenditure	125.00	1550.00	350.00	75.00	50.00	800.00	1075.00	50.00	300.00	75.00	50.00	100.00	4600.00

Total Income	4485.00	205.00	110.00	80.00	235.00	115.00	85.00	210.00	120.00	155.00	145.00	225.00	Income 6170.00
Total Expenditure	125.00	1550.00	350.00	75.00	50.00	800.00	1075.00	50.00	300.00	75.00	50.00	100.00	Expenditure 4600.00
Monthly cash flow balance	4360.00	-1345.00	-240.00	5.00	185.00	-685.00	-990.00	160.00	-180.00	80.00	95.00	125.00	End of year balance 1570.00

This organisation shows an annual profit of £1570.00 (even though some months the project showed a deficit). By monitoring the finances monthly, if the expenditure is more than the income, it is easier to turn the situation around. If you leave it several months the deficit could be accruing ever month, not so easy to retrieve.