

Financial Management



working for the voluntary & community sector in our area

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

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

You must agree on your financial year running from _____ (month) to _____ (month). You can choose when your financial year starts and finishes to suit your activities.

Annual accounts

The group must put together a summary of the year's incomings and outgoings within 3 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 £25,000.

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 regularly. 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 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 authorised signatories must sign each cheque; the two signatories on a cheque must not be related or living in the same household. No one should 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). 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.

Money coming in

All money the group receives must be written in the cash book (or equivalent) and paid promptly into the group's bank account.

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. 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 person getting the money and the person giving the money out must both sign the voucher. 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.

Cash Flow Forecasts

Cash flow forecasting is the estimation of income and expenditure over a given period. It is a tool to plan your organisation's expected budget and can provide an indication of where financial problems may occur and give you time to plan and manage any financial risks.

Budgeting

The group will plan a budget at the start of the financial year to cover the planned work for the next year. 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.

CVA Blyth Valley can help with information and advice to help you with the financial management of your organisation.

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



Information published to our knowledge is correct. Community & Voluntary Action Blyth Valley accept no responsibility for any inaccuracy in, or complaint arising from, items in this Information Sheet.