# Financial Policy

##### Approved by Board of Trustees 05.09.2016; to be reviewed September 2017

### Purpose of this document

To define the financial systems used by Manchester City of Sanctuary (MCoS) and how they relate to all areas of the organisation (sometimes referred to as Financial Standing Orders).

Any amendments must be agreed via email of during a formal by Board of Trustees meeting and documented.

### Ordering supplies and services

All staff need to be aware that expenditure is committed when an order is placed on behalf of MCoS, not when a cheque is signed. Therefore, it is important that all orders are placed properly, and are within agreed budgets and delegated powers.

Orders and purchases must be **authorised in advance** as follows:

|  |  |
| --- | --- |
| * AMOUNT | * AUTHORISATION |
| * Up to £20 | * Any staff member |
| * Over £20 and up to £200 | * Line Manager |
| * Over £200 and up to £1,000 | * Treasurer or Chairperson |
| * Over £1,000 | * Board |

Any lease, hire purchase agreement or other contract involving expenditure will be subject to the same authorisation procedure as above, with the appropriate expenditure amount being the total committed expenditure over the period of the contract, or where the contract is open-ended, over the first 12 months of the contract.

1. For orders or contracts to the value of £1,000 or more, the Board should consider whether professional advice is needed.
2. Orders of £250 or more must be placed in writing. Orders under £250 but over £100 should be in writing where practical. Suppliers must be requested to produce invoices.
3. While claims for small items of expenditure (up to £50) may be made via petty cash (see below), adequate supporting documentation, preferably receipts, must be obtained.
4. Larger items requiring cash payment must be checked with the Treasurer before the arrangement is confirmed.

### Payment authorisation

1. Online banking shall be carried out by dual authorization.
2. The Treasurer or Manager will record all incoming invoices within one week, unless there are coding problems. They will then be passed on for authorisation at the appropriate level (as set out above).
3. All invoices must be checked and authorised for payment by the appropriate person, who is responsible for checking invoices for accuracy in terms of figures and conformity with the order placed, that the services or goods have been received, and following up any problems.
4. The Manager must be informed if there are queries delaying authorisation or if payment is to be withheld for any reason.
5. In the case of payments authorised by the Manager, cheque signature or credit transfer authorisation will be sought from the Treasurer on a twice-monthly basis: before Board meetings and at an approximate mid-point between Board meetings.
6. In the case of payments to be authorised by the Treasurer, cheque signature or credit transfer authorisation may be sought at the time of payment authorisation.

### Use of Cheques and Debit/Credit Cards

1. Signatories will only be drawn from Trustees, and any new signatory must be approved by the Trustees before the bank is notified.
2. The bank will be informed that all cheques require two signatures, and that for any cheque to a value of £100 or over.
3. Cheque signatories should check that the expenditure has been authorised by the appropriate person before signing the cheque.
4. **Signatories will not, under any circumstances, sign blank cheques**, orcheques which are payable to themselves. Cheques should be filled in completely (with payee, amount in words and figures, and date) before cheques are signed.
5. The day-to-day limit on encashment of cheques is £800. However, where a larger cash float is required (for a major event for example), this may be approved by the Treasurer.
6. When signing cheques to restore the imprest balance (see below), a copy of the petty cash reconciliation, together with recent petty cash transactions, must be presented with the cheque request.
7. The Treasurer and Manager will each be authorised to hold debit/credit cards with a maximum limit of £500 for the purpose of booking and paying for goods and services relating to the furtherance of MCoS’ objectives. On no account should these cards be used for personal use.

### Handling of cash

1. MCoS Staff should carry a minimum of personal cash whilst working and should keep this separately from any money held on behalf of MCoS.
2. A cash receipt must be obtained for any money spent by staff on behalf of MCoS.
3. Petty cash payments will only be made by senior named staff on production of such a receipt.
4. The senior staff members authorised by the Board of Trustees will be able to collect petty cash from the bank. Petty cash will be topped up on the 'imprest' system, where the amount spent is reimbursed. It is intended for small items, up to £100. Anything over this amount must be paid by cheque or bank transfer.
5. The imprest has a balance limit of £1,000. The petty cash balance will be reconciled when restoring the imprest balance, or monthly if this is more frequent.
6. Specific extra cash floats (for tills at events etc) should be agreed in writing with the Treasurer. The person signing for the float is responsible for ensuring cash and receipts are returned as soon as possible after the event etc. No further floats may be issued to that person, or another person for a similar purpose, unless the previous float has been accounted for.
7. Cash will be kept in locked metal cabinets wherever possible. Appropriate arrangements will be made for till security.
8. Mixing money or receipts from different petty cash sources creates accounting problems. In a real emergency, where another cash float has to be used for something, a clear record must be kept, and brought to the Treasurer's attention.
9. All money received by MCoS should be receipted and recorded in the Cash Receipts book.
10. Donations should preferably be sent into the office in cheque form. Should donations be given to a member of staff or Trustee, then he/she should ask the donor to put the cash or cheque in a sealed envelope and should take it to the scheme office within 5 working days.
11. Donations received through online giving, such as Paypal, will be recorded by the treasurer and notification sent to [Manchester@cityofsanctuary.org](mailto:Manchester@cityofsanctuary.org) which both co-chairs also receive notification of.
12. A receipt and thank you letter will be issued to the donor by a co-chairperson or Treasurer.
13. **Any cash income will be banked as soon as possible after receipt, and not used for petty cash expenditure**.

### Handling Service Users’ Money

1. MCoS staff will not handle any cash belonging to service users.
2. Any funding attached to individual service users will be clearly earmarked and treated as restricted to this purpose only.

### Salaries, payroll and freelancers

1. MCoS is required to operate the PAYE system, and make annual returns to HMRC.
2. All people working directly for MCoS, whether permanent or temporary, must provide a P45, or sign a P46, or give reasons why they can't.
3. All payments will be made by cheque or direct bank credit.
4. Occasionally, freelance consultants may be used.
5. Freelance contractors will only be taken on when authorised in accordance with procedures for ordering services. They will normally be treated as self-employed, and contracts with such people must clearly indicate this. Individual (i.e. non-incorporated) contractors will be asked to supply a tax reference.
6. Over-time payments will not normally be made. In exceptional cases, a request shall be put to the Treasurer.
7. Salary payments will normally be made by MCoS’s payroll bureau, by credit transfer direct to the employee’s bank account.
8. The salary payment listings will be checked by the Treasurer on a monthly basis.
9. Salaries will be paid in arrears on the 28th of the month, or nearest working day, apart from in December, when it will be the 23rd.
10. Pay increases, pay scales and new or restructured posts must all be approved by the Board.
11. Any agreed pay rises, whether agreed in advance or retrospectively, will normally be implemented with effect from 1 April.
12. Appointments to new and existing posts will be made as per MCoS’ agreed recruitment procedure.
13. Staff loans are not issued, but in exceptional cases advances may be made against salary due, by agreement with the Treasurer.

The payroll bureau will be responsible for:

* paying each employee in accordance with the approved terms and conditions, and issuing payslips
* operating the PAYE system, keeping the required records, issuing P45s and P60s, and communicating with the tax office as appropriate
* making the correct deductions for Income Tax, NI, court orders and any other appropriate deduction authorised by staff; ensuring that deductions are paid to the correct body, and necessary returns made
* administering the Statutory Sick Pay and Statutory Maternity Pay schemes, alongside any related additional benefits provided by MCoS
* processing any deductions and contributions towards a personal pension

### Income

1. The majority of income received by MCoS will be in the form of grants and fees due under service contracts. If required by the funder, or if there is no remittance advice, the Treasurer will issue an invoice.
2. Invoices should be issued covering any other income due.
3. All invoices should be raised on MCoS letterhead, showing a budget code where relevant.
4. Outstanding invoice payments will be followed up at least monthly by the Treasurer/Manager.
5. Budget-holders will supply the Treasurer with advance information on the amount and expected timing of monies due in the form of grants and contractual fees. The Treasurer will post these items to the appropriate project funds and pay the cheques into the appropriate bank account.

### Bank accounts

1. MCoS bankers are *Cooperative Bank,* with an encashment facility at the local *Coop* branch. MCoS will maintain a current and a deposit accountfor each of its main funding streams. An automatic sweep arrangement between current and deposit accounts will be operated.
2. These arrangements are subject to review, in the light of what is most advantageous in terms of cost and service. All changes are to be authorised by the Treasurer.
3. All income from grants and contractual fees will be paid into the current accounts as soon as possible after receipt.
4. The make-up of each bank deposit will be clearly recorded, for later computer entry.

### Books of account and records

1. Proper accounting records will be kept.
2. MCoS intends to use a computerised accounting package (*Excel*), but manual/paper records may also be used if appropriate. Subject to guidance (MCoS will take advice and training from accountants in setting up its accounting system), the following records will be kept:

* appropriate control accounts (i.e. bank control, petty cash control)
* salary control account
* monthly trial balances

1. Bank accounts will be reconciled on a quarterly basis. Petty cash accounts will be reconciled monthly or when the petty cash imprest is topped up.
2. All financial documents will be clearly initialed by the Manager/Treasurer and entered into the computer system, along with the date and accounts reference.
3. All income and expenditure information will be recorded within one week.
4. All corrections and adjustments will be clearly noted in a written 'Journal' giving reasons for them, with supporting documentation where available.
5. Supporting documentation for all payments and receipts will be filed in the appropriate reference order, as will all bank statements and reconciliation sheets.
6. All petty cash vouchers, cheque stubs etc. will be retained for audit and for statutory purposes thereafter.
7. All fixed assets costing more than £1,000 (or such other level as may from time to time be agreed by the Board in consultation with MCoS’ accountants) will be capitalised in the accounts and recorded in a fixed assets register. This register will record details of date of purchase, supplier, cost, serial no. where applicable, description and in due course details of disposal.

### Budget setting

12-monthly income and expenditure budgets will be prepared in time for final approval by the Board by no later than its March meeting, before the start of the new financial year. At this meeting, the Treasurer will advise the Board as to whether a cash flow forecast for the year is required. If so, this will be updated quarterly.

### Financial monitoring and audit

1. The Manager/Treasurer will receive and review reports of income and expenditure against budget on a monthly basis, sharing these with other budget-holders where appropriate.
2. Detailed monthly payroll reports will be produced by the payroll bureau, to be checked by the Treasurer on a quarterly basis.
3. Detailed cash-flow reports will be produced as appropriate.
4. The Manager will meet with the Treasurer on a quarterly basis to prepare a financial report to the Board. This will include a revised budget for the year in the light of all known information.
5. MCoS financial year is from 1st April to 31st March.
6. Annual accounts will be submitted for audit, as required under the Companies Act, charity regulations and grant conditions, prepared as per SORP for Charities and any other relevant accounting conventions, with draft accounts approved by Board by June, and final accounts signed by September.

### Role of Treasurer

The Treasurer works in close co-operation with, and provides support and advice to, the Manager. Specific responsibilities are to:

1. Guide and advise the Board in the approval of budgets, accounts and financial statements, within a relevant policy framework
2. Keep the Board informed about its financial duties and responsibilities
3. Advise the Board on the financial implications of MCoS’ activity plans and the key assumptions included in them
4. Confirm that the financial resources of MCoS meet present and future needs
5. Understand the accounting procedures and key internal controls, so as to be able to assure the Board of MCoS’ financial integrity
6. Ensure that the accounts are properly audited according to the level of independent examination or audit required, that accepted recommendations of the auditors are implemented, and meet the accountant/auditor at least once a year
7. Formally present accounts at the AGM, highlighting important points
8. Monitor MCoS’ bank accounts, in association with the Manager, seeking to ensure an appropriate return from any reserves which may be placed on deposit or invested

### Role of the Co-Chairs

The Co-Chairs will receive monthly management accounts, keeping adequate records to be in control between quarterly reports to the Board, and keeping the Treasurer informed of any significant changes affecting the financial position. The Co-Chairs will ensure that adequate security precautions are taken to safeguard financial and other assets.

### Role of Board of Trustees

The committee is responsible for:

1. approving the budget for the year
2. approving signatories to the bank accounts
3. appointments of staff where not delegated to the Manager
4. receiving reports from the Manager on areas of concern
5. approving exceptional items of expenditure
6. monitoring the financial position based on the quarterly reports received
7. approving the annual accounts, auditors report and appointment

### Role of the Administrator

The Administrator is responsible for day-to-day book-keeping, ensuring that all the organisation’s financial transactions are recorded in an accurate and timely fashion.