****Establishing a Financial policy

A financial policy is not a legal document. It is an agreed set of principles and guidelines for the operation and use of your group funds. A policy expresses how your group goes about its work and how it conducts its finances. All policies include procedures which are the steps for carrying out the policy.

Good policies express a fair and sensible way of dealing with issues. While they can be changed, no organisation should change its policies too often as they are intended to guide the work of your group for a reasonable length of time. Once a policy becomes group practice, and has been approved by the group executive committee, it is binding on everyone in the group.

A good financial policy:

* Is fair
* Meets legal requirements
* Is comprehensive (covers all likely situations)
* Is realistic and can be implemented
* Is affordable.

If your group is small, you will probably work fairly informally and there some areas of our model policy may well be inappropriate. Even so, it’s a good idea to have some rules, however few, so that everyone is clear about how to look after your group’s money.

If your group is larger, then you will probably need more detailed procedures. You can use our model policy as basic guidelines to draw up rules which are appropriate and useful for your group.

As well as helping your group to function better, financial rules show funders and other bodies that your group is looking after its money well.

Your Group Executive Committee will need to decide details such as:

* the sort of financial records you will keep – account book, section petty cash book, etc,
* your bank society accounts, and the signatories,
* how you will deal with section cash and the amount of the float they hold,
* the maximum amount which can be paid out in cash,
* whether there are certain small items which committee members may buy without going to a meeting for approval; and if so, up to what amount of money?
* the financial year (for example, if your accounts will run from 1st April to 31st March, from 1st January to 31st December, or on a different cycle),
* how often the treasurer will report to the Group Executive Committee, and whether the Committee requires verbal or written reports,

Once your Group Executive Committee has agreed the rules, remember to give a copy to everyone who joins the committee.

**The Financial Rules of the xxx Scout group**

*(Sample financial rules please amend and delete as applicable.)*

These are the financial rules (known as the group financial policy), of Xxx scout group and were adopted and approved by the group’s executive committee at its regular meeting held on xxx.

**1. Introduction**

a) The Xxx scout group has a management committee (known as the group executive committee) which is elected each year at the group’s annual general meeting;

b) The group executive committee is responsible for ensuring that the group is well managed and that all group income is managed properly and put to best use.

c) Our financial records are kept so that the group can:

* meet its legal and other obligations, regarding the current edition of the policy, organisation & rules (POR), of the scout association, the UK charities act ([legislation.gov.uk](http://www.legislation.gov.uk/ukpga/2011/25)), the inland revenue, customs & excise and common law
* enable the trustees to be in proper financial control of the group
* enable the group to meet any obligations and requirements of any funders should there be any

c) The group executive committee will ensure that appropriate financial records are kept, including:

* an account book or computer spreadsheet recording all the transactions

in the group’s bank account(s)

* bank statements or building society passbook
* a petty cash book (if we make cash payments)
* details of all funds received
* invoices and other receipts for all payments

If we keep our records on computer, then an ‘account book’ will be printed out in date order and kept in a ring binder or other file.

d) Our financial year ends on xxx.

e) We will draw up accounts at the end of the financial year and have them examined by a suitable person who is independent of the group. Our annual end of year accounts will be presented to the group’s annual general meeting for approval.

f) Before the start of the financial year, we will set a budget for the following year.

g) We will discuss a financial report at each executive committee meeting showing cash received, payments, and remaining funds. This can be a verbal or written report and will provide the committee members with enough information to make good decisions. When possible, It will also show expected/forecast future receipts and payments.

**2. Bank accounts**

a) We have a current cheque account and a savings/deposit account with insert the bank(s) name and Address

*If you have more than 2 bank accounts or your accounts are with more than one bank or building society, you should enter the exact details here.*

b) Any bank transactions will go through our current account. To withdraw money from any other account, we shall first transfer it to the current account and withdraw it from there. If we pay money into any other account, it will be as a transfer from the current account.

c) Up to *(insert number)* members of the group executive committee may be signatories to the accounts and this must include the group scout leader and group chair.

The bank mandate (list of people who can sign cheques/authorise payments on the group’s behalf) will always be approved and minuted by the trustees as will all the changes to it.

d) Any withdrawals or transfers between accounts will be signed by two of the signatories. We expect that one of these will be the treasurer. If not, we will give the treasurer full details of the payment.

e) We will ask the bank to provide statements every month and will reconcile the statements against our account book.

**3. Income**

a) If we receive cash from the public, we will issue a receipt and keep a copy.

b) Where we receive cash from the public at fundraising events two members of the group will count up the cash, make a note of the total and sign for it.

c) When the treasurer collects cash from a group member, the treasurer will issue a receipt.

d) Details of cash received will be entered appropriately in the cashbook.

e) *Delete as appropriate....*

*Option 1:*

We shall bank all cash received – we will not use it for cash payments. We expect that cash over £100 will be banked within a week.

*Option 2:*

Each section will use a small amount of cash received as petty cash and will keep a record of this in their petty cash account book. Each month they will reconcile their petty cash account back-up to £xx and will pass the remainder on to the treasurer for banking.

f) We will record details of cheques received in the account book and bank the cheques within one two weeks.

g) The treasurer will keep files of paperwork relating to the cheques (e.g. grant award letters or copies of receipts issued by the group).

All fundraising and grant applications undertaken on behalf of the group will be done in the name of the group (as detailed at the top of this document), with the prior approval of the group executive committee or in urgent situations the approval of the group scout leader and group chair who will provide full details to the next meeting of the group executive committee.

**4. Expenditure: Buying goods and services**

a) Our group executive committee will agree any orders in advance. This will be either shown in our annual budget or discussed at a meeting during the year.

b) The authority levels for cheque signing from the group’s current account are:

|  |  |  |
| --- | --- | --- |
| **Amount** | **Signature Requirements** | **Supporting Documents** |
| Up to £xxx | any two signatories | Invoice or expenses claim with receipts |
| Over £xxx and up to £xxx | any one signatory plus the gsl, chair or treasurer | Invoice or expenses claim with receipts |
| Over £xxx | any two of gsl, chair  or treasurer | with the prior written approval of the group executive committee (this can be the minutes of the meeting) |

c) The latest approved budget provides the cheque signatories with authority to spend up to the budgeted expenditure and not beyond it.

c) Our treasurer will keep a file of all the paperwork and check firms’ invoices before making payments.

d)Every payment out of the groups bank accounts will be evidenced by an original invoice (never against a supplier's statement or final demand), or an expenses claims form with receipts).

The original invoice or claims form and receipts will be retained by the group treasurer and filed appropriately. The cheque signatories should ensure that the paperwork is referenced with:

* + Cheque number
  + Date cheque drawn
  + Amount of cheque
  + Who signed the cheque.

The only exceptions to cheques not being supported by an original invoice would be for such items as advanced booking fees or deposit for a venue etc. Here a cheque requisition form will be used and a photocopy of the cheque kept.

e) Our treasurer will write details of all cheque payments in the account book.

f) Our cheque book(s) (unused and partly used) will be kept under lock and key.

g) We will not sign a cheque without paperwork to support the payment.

h) We will never sign a blank cheque. The relevant payee's name will always be inserted on the cheque before signature and the cheque stubs will be properly completed at the time of payment.

i) Two signatories are required on each cheque. We expect that one of these will normally be the treasurer.

j) We will not authorise payments by bank transfer (BACS) unless we have the facility to provide two authorisations these being any two of our authorised cheque signatories.

k) Two signatories are required to set up a direct debit or standing orders. We expect that one of these will normally be the treasurer.

l) We will keep records of direct debit and standing orders as for cheque payments.

m) We will, if asked, reimburse expenditure paid for personally by group members, providing:

* + - Fares are evidenced by tickets.
    - Other expenditure is evidenced by original receipts.
    - Car mileage is based on local authority scales.

n) No cheque signatory signs for the payment of expenses to themselves.

o) Cash point cards will not be used and if issued by the bank they will be immediately cut up and disposed of appropriately.

**6. Petty cash**

We will hold a petty cash float separate from incoming cash.

1. Each of our sections will keep a small float of £xxx for small payments on production of the appropriate invoice or expenses claims form and original receipts. This petty cash can we balanced each month using the sections weekly income before the remainder is deposited in the bank. This will be as detailed in article 3e of this policy.

b) Payments above £xxx will be made by cheque from the appropriate account.

Petty cash payments will not be made before we have entered the full amount of incoming cash into the petty cash book.

We will record all payments on separate petty cash slips and keep documentation which will be presented to the treasurer at each executive committee meeting.

**7 Fixed Assets**

The group will adhere to good practice in relation to its finances at all times, e.g. when relevant we will set up and maintain a fixed asset register stating the date of purchase, cost, serial numbers and normal location.

**8 Reserves Policy**

Our group, like most charities, hold some funds in reserve. Our level of reserves is set to ensure that there is sufficient resources to continue the core charitable activities of the group should income and fundraising activities fall short. The group executive committee considers that the group should hold a sum equivalent to xx months running costs, circa £xxx in reserve and this is held on deposit as detailed in article 2a of this policy. Should the level of reserves falls below the target level, the group executive committee will make efforts to restore the level within xxx financial year.

**9 Investment Policy**

Currently the group's income and expenditure is very small and as a consequence does not have sufficient funds to invest in longer term investments such as stocks and shares. The Group has therefore adopted a low risk strategy to the investment of its funds. All funds are held in cash using only mainstream banks or building societies or The Scout Association's Short Term Investment Service.

The group executive regularly monitors the levels of bank balances and the interest rates received to ensure the group obtains maximum value and income from its banking arrangements. Occasionally this may involve using an account that requires a period of notice before funds may be withdrawn, before doing so the group executive committee considers the cash flow requirements.