



Financial Controls

General

Our accounting procedures will be in accordance with those recommended by the Charity Commission (*Leaflet CC8*) and *A Practical Guide to Accounting by Charities* by Kate Sayer.

VAT

Allsorts Youth Project is not registered for VAT.

Trustees

The Trustees duties:

- To delegate authority to the staff who are then responsible for the day-to-day financial management of the project
- To approve an annual budget and authorise appropriate budgets for the duration of each funding cycle or time limited piece of work
- To ensure that annual accounts are produced
- To ensure the annual accounts are externally examined and presented to the members at the AGM
- To monitor the financial position at their monthly meetings and will monitor the running of all projects and core fund budgets
- To delegate overall supervisory controls to the treasurer and the finance sub-group
- To review quarterly management accounts and make a comparison with budgets
- To review expenditure against income on a monthly basis
- To review procedures e.g. future commitments, immediate spending plans, new sources of income due as and when required.

Finance sub-group

- The Trustees will set up and over-see a finance sub-committee of the board of Trustees which will review and draft financial policies and procedures
- It will meet every three months and for emergency meetings as required
- It will provide accountability and advice and make proposals to Trustees meetings on policies, audit, budget setting, moving money between budget headings or into reserves, fundraising targets and sources, unexpected excess expenditure or income shortfall etc.

Annual General Meeting

- The accounts will be formally presented to our AGM
- An accountant will be appointed at our Annual General Meeting.

Company accountants

[Name & Address]



Bank

Allsorts Youth Project has an account with [Bank Name]:

Allsorts Youth Project Ltd. Treasurers and Saver Accounts:

- The Treasurers Account, Savers Account and investment bonds hold all our restricted and unrestricted funds
- There are five signatories to the accounts: three Trustees and two employees.
- Two signatories are needed for each cheque and on any other instruction to the Company's bank to make a payment from the Bank Account (e.g. Standing order, Direct Debit instructions, etc.)
- Three Trustees will be authorised signatories together with two nominated employees
- Any two of the signatories above are eligible to sign a cheque
- One member of staff uses where necessary a debit cards, which is kept at all times in the safe and are signed out and signed in.

Current Signatories:

- [Name] – trustee and treasurer
- [Name] - trustee
- [Name]– trustee
- [Name] – Project Director and Company Secretary
- [Name] – finance officer

Purchasing and Payments Procedures

Payment can only be made under the following circumstances:

- The Budget holder must authorise the invoice; i.e. check that the goods/services have been received at the correct price and ensure that the expenses incurred are reasonable and legitimate.
- Expenditure is analysed under the appropriate budget heading.
- Expenditure is coded to a project
- *No expenditure or commitment over £2000 will be made unless there is planned budgetary provision. Any such unplanned expenditure shall be agreed at a meeting of the Trustees.*
- Payments to suppliers may be made by petty cash or cheque.
- Payments to staff will be made by cheque.
- Capital equipment costing more than £500 can only be purchased with authorisation from the Trustees.
- Any item of expenditure of £500 or more will require authorisation of a Trustee.
- Purchasing procedures will follow EU directives. At least three competitive quotations will be required for any item of capital expenditure above £1000.



Cheques

- Blank cheques will not be signed in any circumstance
- Cheque book will be kept in the safe
- Any cheque signatory is to check the payments against the original documentation and be satisfied that the expenditure is reasonable and necessary.
- Full details of each cheque will be recorded on its stub at the time of issue, and subsequently when posted to the accounting system

Petty Cash System

- The petty cash is to be kept in the safe and change in the petty cash tin.
- Petty cash is to be kept to a minimum (never exceed £200).
- A petty cash analysis sheet is to be used. Petty cash vouchers must have the budget head written on them. They are to be analysed once a month.
- All petty cash claims will be authorised and submitted with receipts for expenditure before they are reimbursed.
- Advances from the petty cash float will be subject to strict control and restricted to emergencies only. They must be signed for and monitored and relevant receipts and paperwork must be processed at the earliest convenience.

Staff Expenses

- Staff expense claims will be submitted on the appropriate forms, will be accompanied by receipts offering proof of expenditure, and will be authorised by the budget holder before they are reimbursed.

Wages

- Our payroll is management by [Name of accountancy project].
- Wages are paid on a monthly basis in arrears on the 28th of the month.
- It is intended that employees will be paid at rates appropriate to the nature and requirements of their post.
- All TOIL is accrued should be recorded on Time-Sheets. All time in Lieu should be taken within three months.

Income Procedures

- A record is to be kept of all incoming cash and cheque receipts, which are to be signed by the receiver. This is to be reconciled monthly to the bank paying in book.
- Receipts of cash and cheques will be recorded and verified immediately on a form provided for this purpose, as well as in the other administrative procedures e.g. post recording, records of grant applications etc. This will record full details of the receipt, and will be subsequently used to enter details of the receipts to the accounting system.
- Unbanked cheques and cash will be kept in the safe until they are banked, which will be once a month.



- Receipts via BACS will be posted to the accounting system from remittance advices supplied by the remitter. Remittance advice will be filed as evidence of receipt.

Bank Reconciliation & Record Keeping

- AYP employs a sessional finance worker who visits the project fortnightly, they are responsible for updating the books and producing monthly income and expenditure statements and reports against the annual budget for the Management Committee.
- The finance worker will carry out monthly bank and petty cash reconciliation.

Fixed Asset Register

- The Administrator will maintain the asset register, overseen by the Treasurer.
- The purpose of the asset register is to safeguard assets by maintaining a schedule of equipment and furniture etc.
- All assets over the value of £1000 will be physically verified once a year and depreciated at a rate of 25% per year.
- When an asset reaches minimum depreciation value after three years, Allsorts may donate those assets to a community group or voluntary organisation for the purposes of benefit to the community. Before this time, assets must be sold, but they may also be sold after the three-year depreciation period.

Insurance

- Allsorts has Employers Liability, Public Liability, Personal Accident and Contents insurance.
- We participate in an insurance scheme runs by [Name] who are one of the largest insurers for youth charities in the country.

Reserves Policy

Introduction – why we need a Reserves Policy

Allsorts Youth Project provides a high quality service to young lesbian, gay, bisexual and transgender residents of Brighton & Hove and those unsure about their sexuality. These are vulnerable people and our service is offered by no other agency. Despite this, our funding base is precarious for two main reasons:

- (i) we rely on a patchwork of funders, all with different timelines and based on different criteria, which means that we regularly face the prospect of one of our funding sources coming to an end in the next few months; and
- (ii) some of our funders only provide us with a single year's funding at a time (despite the clear commitment in the Brighton & Hove Compact and Codes of Practice that the statutory sector agree to aim, wherever possible and appropriate, to foster sustainability through three year rolling funding programmes).

If one or more of Allsorts' funding sources ends, the Project will need to consider how to react. We hope that generally we would be able to identify alternative funding sources to



replace the one lost and we consider it prudent to try to build up sufficient reserves to enable us to operate for an intervening period in case there is a break between funding.

In the event of all funding ceasing, we ought to be able to operate for a sufficient period to allow us either to identify more funding or to wind down the project in an orderly way. We also need to be able to pay our staff their redundancy entitlement if the Project closes.

Statement of Policy – what would be appropriate levels of reserves

As the Project provides services to a group of vulnerable people, in the event of the Project closing we would need to identify alternative support mechanisms for our clients, which could take some time. If the closure is due to withdrawal of funding, we would also be keen to identify as many potential alternative sources of funding as possible in the meantime to see if the Project can be kept open. Accordingly, we consider that we should aim to have reserves of between *three and six months' operating costs* in addition to wind up costs.

Most wind up costs should be able to be met from within the Project's normal operating budget. However, we also consider that we should aim to have reserves to cover our staff's redundancy entitlement.

What does this mean our reserves should be at this time?

Our current (Jan 2014) operations budget shows us spending £[Number] per year, at our current size. Based on that figure, we aim to have a minimum reserve level to cover the three months' operating cost of £[Number].

According to the Department of Trade and Industry website, all staff who are made redundant with at least 2 years' continuous service since the age of 18 are entitled to redundancy payments. This includes staff on fixed-term contracts and includes staff whose fixed-term contract ends and is not renewed. Absences due to pregnancy or sickness are included in the definition of continuous service.

Redundancy entitlement according to the website is calculated as follows:

- for each complete year of continuous service age 18-21, ½ week's pay;
- for each complete year of continuous service age 22-40, 1 week's pay;
- for each complete year of continuous service age 41-65, 1½ week's pay.

This amount is reduced by 1/12 for any month by which any employee is age over 64.

There is a maximum of 20 years' service to be used in the calculation and the maximum amount of a week's pay used to calculate payment is £430.

Because we would expect to know at least 9 months in advance of needing to close the Project (based on the agreement in the Brighton & Hove Compact and Codes of Practice



that the statutory sector will give as much warning as possible, usually 6 months' clear notice, about any changes in the level of funding in contractual arrangements, together with reserves as mooted in this policy to allow us to continue operating for a further 3 months), we will calculate our redundancy liabilities at any time for a period 9 months into the future.

At the moment (Jan 2014) this means our redundancy liabilities (calculated as at November 2013) would be approximately £[Number]. Our redundancy liability is likely to rise by about £[Number] each year depending on maximum weekly pay set by government (on the basis of our current staff remaining with us).

We therefore aim to have minimum reserves of approximately £[Number]. (3 months running costs plus redundancy liability). We should aim to have reserves of this amount up to 6 months running costs and redundancy liability, i.e. up to £[Number].

Current reserves position

Our Accounts to 31st March 2013 show net current assets brought forward into 2013/14 of £[Number], representing 3 to 4 months running costs plus our current redundancy liability.

Ensuring our reserves are within the range set out in this policy

We are currently (Jan 2014) fortunate to have reserves to cover the contingencies discussed in this document. We will monitor our reserves to ensure they do not fall below the lower levels set out in this policy.

As we do not need to increase our reserves any further except to ensure they grow modestly to keep pace with our increasing redundancy liabilities, we will plan our budgets to ensure that our income only exceeds our expenditure in any year by the amount by which our reserve need is expected to increase.

The Treasurer will report the levels of reserves held and how that compares to the levels set out in this policy to the Management Committee each year at the same time as the budget for that year is approved or any time any major funder significantly alters their funding levels to the Project on the levels of reserves. The Management Committee will ensure that the budget approved takes this reserves policy into account.

Reviewing this policy

This policy will be reviewed by the Allsorts Management Committee as needed and, in any case, at a Management Committee meeting soon after each Annual General Meeting.

Other related actions

In addition to identifying reserves in line with this policy, Allsorts will seek to strengthen its funding base. In particular, we are approaching all our major funders who do not provide us



with the certainty of a three year funding arrangement to seek to put into place a more sustainable arrangement.