

Routine Financial Management

These are some essential pointers to managing your finances.

When do you have to register with the Charity Commission?

If your annual income exceeds £5,000 you are required to register as a charity with the Commission

What are the accounting thresholds for submitting annual reports to the Charity Commission?

If your income exceeds £25,000 you must submit an annual report and accounts. Details of the thresholds for reporting http://www.charity-commission.gov.uk/Charity_requirements_guidance/What_information_must_trustees_send_index.aspx

For determining whether an independent examination or audit is required http://www.charity-commission.gov.uk/Charity_requirements_guidance/Accounting_and_reporting/Auditing_accounts/default.aspx

VAT

Apart from a few exemptions charities are subject to VAT like any other business.

If your taxable income exceeds £73,00 (2011 figure) then you are required to register with HMRC. As a guide, the following are some of the sources of income that are excluded when calculating your turnover for registration purposes: Lettings, grants, gifts, and donations. More Information is available on the HMRC website www.hmrc.gov.uk – VAT Notice 701.

Budget

A budget is an essential part of financial management. This enables you to forward plan and ensure financial stability. To prepare a budget obtain where possible the last 2 or 3 years accounts. Tabulate the income and expenditure items and look at the trends. Adjust for current known factors. You will have a capital expenditure programme to finance. Budgeting for a surplus will enable you to plan the programme. Grant application will certainly require a budget in addition to your annual accounts. Also a monthly cash flow statement will ensure that funds are available at any time throughout the year.

Reserves

Reserves are an extremely important part of financial planning. These should be set for at least 3 months running costs, and in most cases much longer, plus sufficient funds to manage for example unexpected expenditure, emergency capital expenditure, fluctuations in income, redundancy payments.

Payments to Trustees.

There are strict guidelines on payments to trustees. Ensure you follow the procedures laid down in Charity Commission Publication CC 11

Honorariums

These are payments in effect for services rendered. They are therefore liable to tax and also the minimum wage regulations. Any payments should otherwise be made for **actual expenses incurred**.

Setting expenditure authorisation.

Determine and record any limits on authorised expenditure by officers and/or staff.

On site monies

Undertake regular checks of floats, petty cash and any other monies held on site.

Cheques.

Do not sign blank cheques. If you do you have personally authorised the payment. Ensure you have sufficient signatories to cover absences.

Online Banking

Many organisations find electronic banking convenient. However, in order to maintain the security of bank accounts there are a number of basic control procedures that trustees should ensure are in place. The fundamental internal financial control we recommend is that charities banking online use a dual authorisation system. Charity Commission Publication CC8

The following links provide more detailed information on how to manage your finances

Understanding Financial Statements <http://www.ncvo-vol.org.uk/advice-support/funding-finance/financial-management/understanding-financial-statements>

Financial Health Check <http://www.ncvo-vol.org.uk/advice-support/funding-finance/financial-health-check>

Financial Management <http://www.ncvo-vol.org.uk/advice-support/funding-finance/financial-management#resources>