

## FINANCIAL MANAGEMENT

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### 1. Principles

- 1.1 This policy draws together all the financial policy elements and procedures contained in the constitution, the working rules and other documents. It should be read together with the relevant parts of the limited company's Constitution and Working Rules which set down the basic regulatory framework for financial management and with the policy concerning Trustees.
- 1.2 South Lakeland Mind limited company is a registered charity and limited company, as such it is required by its constitution to use its resources exclusively and effectively in pursuance of its objectives. It may not spend money on activities which are not included in its own objects, no matter how worthwhile or charitable they may be.
- 1.3 The Trustees of the limited company, both individually and as, collectively, the Executive Committee, are responsible for ensuring that all decisions and actions comply with charity, employment, financial and other relevant legislation and regulations.
- 1.4 The Executive Committee will therefore monitor closely and take account of the limited company's financial position in all its proceedings.
- 1.5 The limited company will endeavour to develop a sustainable financial base in order to meet its objectives over the long term. It will aim to maintain a substantial reserve to cover any contingencies but will ensure that this does not become so large that it prevents investment in services and quality. Generally this reserve will be maintained to a level sufficient to provide for 3/4 months normal expenditure.
- 1.6 Cash/cheque handling procedures is important for three main reasons:
  - To protect the organisation from fraud, theft or embezzlement;
  - To protect staff or volunteers from accusations of dishonesty or the temptation to commit fraud; and
  - To assure donors that their donations and gifts are used for the purpose for which they were given.(see also 3.2 and 3.10)
- 1.7 The Treasurer is responsible, in consultation with the Chief Officer, for implementing and monitoring specific financial controls and systems are in place and adhered to.
- 1.8 Despite the additional responsibility the Treasurer has in overseeing the financial matters of South Lakeland Mind, all Trustees continue to be jointly and severally responsible, and therefore liable, for the administration of the charity.

## 2. Financial Risk Management

2.1 The responsibility for the management and control of SLM rests with the trustee body and therefore their involvement in the key aspects of the financial risk process is essential, particularly in setting the parameters of the process and reviewing and considering the results.

2.2 By managing Financial Risk effectively, trustees can help ensure that:

Significant financial risks are known and monitored, enabling trustees to make informed decisions and take timely action.

The charity makes the most of opportunities and develops them with the confidence that any risks will be managed.

Forward and strategic planning are improved; and the charity's aims are achieved more successfully.

2.3 An essential question for charities when considering risk is whether or not they can continue to meet the needs of beneficiaries now and in the future. For example, in a period of economic uncertainty, the major financial risks for SLM are likely to be:

Termination of funding from other bodies

The future of contracts

Fundraising from the general public

Fluctuations in investments

An unforeseen rise in demand for services

2.4 Generally risk will need to be considered in terms of the wider environment in which SLM operates, i.e., the financial climate, society and its attitudes. The list below illustrates the type of financial risk that could occur:

Inaccurate and/or insufficient financial information inadequate reserves and cash flow

Dependent on limited income sources

Inadequate investment management policies insufficient insurance cover

2.5 Charities that are required by law to have their accounts audited must make a risk management statement in their trustees' annual report confirming that 'SLM trustees have given consideration to the major risks to which SLM is exposed and are satisfied that effective systems and procedures are established to manage those risks'.

### 3. Procedures

- 3.1 The limited company will at all times have a bank current account in its own name. All non-trivial monies received by the limited company will be paid into that account. The Executive Committee may authorise the opening of any new or replacement current bank accounts or of any interest accounts.
- 3.2 All cheques drawn on the limited company's accounts shall be signed by at least 2 people as authorised by the Executive Committee, one of whom must be a voting member of the Executive Committee and the other the Chief Officer, Chair, Treasurer or other member of staff designated for that purpose by the Committee.
- 3.3 Unless amended by the Executive Committee, the limited company's financial year will run from 1<sup>st</sup> May to 30<sup>th</sup> April. Each year the Executive Committee will prepare a budget which, if necessary, may be adjusted during the year by the Committee, with expenditure subdivided into sub-heads related to core expenditure and specific services. Virement between heads will be reported to the Committee for approval. In the case of urgency such approval may be given by the Chair acting with the treasurer and one other member of the Executive Committee and reported to the next Committee. The budget will be based on a reasonable projection of income but will be adjusted if income differs from that anticipated.
- 3.4 The Executive Committee will consider a full financial monitoring report every three months. This will include reference to projected outcomes and implications. The Committee will be provided with a financial position summary for every intervening meeting.
- 3.5 Accounts of the limited company will be prepared annually, audited/and or examined by an Independent Examiner/Auditor in accordance with legal requirements and presented to the Annual General Meeting. They will be available for inspection.
- 3.6 Expenditure will be made only within the limits as agreed from time to time by the Executive Committee. Such limits will make provision for petty cash and other expenditure to take place without full Committee approval.
- 3.7 Every effort will be made to pay on invoices for goods or services within 28 days.
- 3.8 Staff, trustees and volunteers may be reimbursed for any agreed expenses incurred on behalf of the limited company. The scale of allowances will be comparable with those applied by similar organisations and will be reviewed by the Trustees and adjusted as necessary. It will be available to staff and volunteers. Volunteers' expenses must be paid promptly.
- 3.9 The payment of an auditor's fee and expenses shall be with the prior approval of the Executive Committee.
- 3.10 Wherever possible cash received should be collected, counted and recorded by two individuals.

- 3.11 Where applicable, a receipt should be issued for any cash received.
- 3.12 Where appropriate, records must be made of donations for specific purposes to ensure donors' wishes are met.
- 3.13 Cash should be counted in a secure environment and held in a secure place until it is possible to bank it.
- 3.14 Expenses must be met (where previously agreed) by the charity after receipt of the cash.
- 3.15 Where appropriate, donations received should be acknowledged by letter.

#### **4. Petty Cash**

- 4.1 Only sensible levels of petty cash should be kept and in the case of South Lakeland Mind, this is currently £200.00.
- 4.2 Petty Cash should not be left unattended or unnecessarily in view.
- 4.3 Petty Cash must be kept in a locked and secure place and access restricted to nominated persons.
- 4.4 Any expenditure paid out should be recorded and receipts kept.
- 4.5 The petty cash should be reconciled on a weekly basis against expenditure.
- 4.6 The Treasurer should undertake a reconciliation of petty cash on a minimum monthly basis.

#### **5. Banking**

- 5.0 Wherever possible, cash should be banked immediately using the bank paying-in book.
- 5.1 Cash not banked immediately must be kept in a locked and secure place and banked at the earliest opportunity.
- 5.2 Where substantial sums are involved, cash should be banked in stages during an event and preferably, by two individuals.
- 5.3 Smaller amounts of money received can be kept securely but should be banked at least weekly.
- 5.4 For security and health & safety reasons the route taken to the bank should be varied and at different times.
- 5.5 A regular reconciliation should be made between cash banked and income summaries; where practicable this should be undertaken by a person independent of counting and cashing the money.

## **6. Events**

- 6.1 Monies collected at an event should be counted immediately the event is over by a minimum of two people, a note of the amount and the money kept in a locked and secure place and banked at the earliest opportunity.
- 6.2 In certain circumstances it may not be practical for cash to be counted at interim stages during the course of an event. In that case, the cash should be put into a sealed envelope and security signatures made across the seal by two people.
- 6.3 At the earliest opportunity, the sealed envelope should be opened and counted by two people and the money banked or kept in a locked and secure place until it is possible to do so.

## **7. Fundraising**

- 7.1 The limited company will aim to achieve a measure of financial independence and long term sustainability. In particular, it will aim to ensure that it is not over-dependent on one or a small number of funding sources.
- 7.2 The limited company will develop and maintain a fundraising strategy to support the maintenance, improvement and expansion of services. Funds will be sought by:
  - Bidding for service contracts from commissioning bodies.
  - Seeking grants for specific projects and services from statutory bodies and from trusts and other grant-making groups.
  - Community fundraising, including donations and legacies.
  - Levying any charges paid by service users to help recover the cost of activities, taking full account of the ability of service users to pay.
- 7.3 The limited company may also take part collectively in generating funds as part of the Cumbria Minds Partnership.

## **8. The Treasurer's Duties**

- 8.1 These are set out in details in the Company's Working Rules.
- 8.2 The Treasurer should possess appropriate experience and /or ability in keeping accounts, assessing the financial implications of proposals and providing independent advice on financial matters.

*This policy is intended as a statement of intent and does not constitute a binding contractual or personal agreement. But it will be monitored and revised in the light of service user, staff or volunteer experience, or comments and any operational changes and legislative or other external considerations. Interpretation and any matters not specifically covered by the policy will be decided by the Chief Officer and / or Trustees.*

Policy Approved by Board of Trustees: December 2009

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