

Financial rules

Financial rules are your community group's agreements about how it will look after its money. 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.

To agree financial rules, your committee will need to decide details such as:

- ◆ The sort of financial records you will keep – account book, petty cash book, spreadsheet etc.
- ◆ What bank or building society accounts you will hold, how many signatories you will have and who they will be.
- ◆ How you will deal with petty cash and the amount of the float.
- ◆ 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, the maximum amount of money that can be spent in this way.
- ◆ 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 committee, and whether you want verbal or written reports.

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

In this document is a set of sample rules you can use as a basis to write your own. If your group is small, you will probably work together fairly informally and some of these rules may not be appropriate. 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 these basic rules as guidelines to draw up rules which are useful for your group. If your group receives funding, the funder may have terms and conditions of their own about how the group's finances are handled.

For more help with managing your group's money, see our information sheets *Your group's money* and *Treasurer's role*.

Sample Financial Rules

1) General arrangements

- a) *(Choose one of the following options)*
- Option 1: We have a management committee which is elected at the Annual General Meeting;
 - Option 2: The group as a whole acts as the management committee; we have no elected committee (or charity trustees).
 - Option 3: The group is a registered charity, number
Our charity trustees make up the management committee.

If you are not already a registered charity, you may be required by law to register; if in doubt, our information sheet *Charity Registration* may help you to decide.

- b) The management committee is responsible for ensuring that the group is well managed and that we look after our income properly and put it to best use.
- c) We will keep appropriate financial records, including:
- an account book or spreadsheet recording all the transactions in the 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
 - PAYE records (if we employ paid workers).
- d) Our financial year ends on (enter date)

Check your constitution – it will usually state when you should hold the Annual General Meeting and may also state the date on which your financial year ends.

If not, you may wish to set a date so that your annual accounts cover a regular 12-month period. A small group may not find this appropriate, but most larger groups find it best to keep to an annual cycle.

- 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. The annual accounts will be presented to the Annual General Meeting for approval.

For more information see our information sheet *Examination of accounts*.

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

Groups with little money have no real need for a formal budget, but will still benefit from developing a rough idea of how much they need and where the money will come from. See our information sheet *Budgets for community groups*.

- g) We will discuss a financial report at each committee meeting showing cash received, payments, and remaining funds. It will also show expected future receipts and payments.

You can give verbal or written reports with as much detail as is appropriate to the size of your group and its finances. The important thing is that the committee has enough information to make good decisions.

2) Bank accounts

- a) We have a current account and a savings account with (enter name & address of bank)

Enter the exact details for *every* bank account or building society account you have.

- b) All 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) At least three members of the management committee will be signatories to the accounts.
- d) Any withdrawals or transfers between accounts will be approved 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 check the statements against our account book.

3) Income

- a) When we receive cash as payment for room hire or other services, we will issue a receipt and keep a copy.
- b) When we receive cash at 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 in the cashbook.
- e) *(Delete as appropriate)*
- 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.
 - We will use small amounts of cash received as petty cash.
- f) We will record details of cheques received in the account book and bank the cheques within one month.
- g) We will record details of all bank transfer (BACs) payments in the account book.
- h) The treasurer will keep files of paperwork relating to cheques and BACs payments (e.g. grant award letters or copies of receipts issued by the group).

4) Buying goods and services

- a) Our management committee will agree payments in advance. This will either be shown in our annual budget or discussed at a meeting during the year.
- b) The treasurer will keep a file of all the paperwork and check invoices before making payments.

5) Payments by cheque, direct debit, bank transfer or debit card

- a) We will not sign a cheque, or authorise a direct debit, bank transfer (BACs) or debit card payments without paperwork to support the payment.
- b) Two signatories are required on each cheque. Cheque stubs will be completed at the time of payment.

- c) All other payments (including BACS, debit card payments, standing orders and direct debits) must be signed for in advance by two signatories on our own payment form. The payment form will include the following details: payee; date; amount; type of payment (e.g. BACS, standing order); and space for two signatures.
- d) We will never sign a blank cheque.
- e) We will record details of payment on the accounts book/spreadsheet:
 - cheque number / type of payment
 - date
 - who signed the cheque / payment form

6) Petty cash

- a) *(Choose one of the following options)*
 - Option 1: We will keep a small float of £(enter amount) for small payments such as bus fares and tea & coffee. We will keep the float separate from incoming cash and withdraw cash from the bank to make up the float. Cash withdrawals from the bank account will require 2 signatories. We will enter in the petty cash book the amount of cash drawn from the bank and details of payments.
 - Option 2: We will keep a small float for small payments such as bus fares and tea & coffee. We will top up the float with cash which we receive. We will enter up all the cash received in the account book. We will show the amount kept for petty cash as a transfer from the account book to the petty cash book.

It is better on the whole to pay all the cash which you receive into the bank, and then draw cash from the bank to top up your petty cash float (Option 1). That way, you have a clear record of both transactions and won't get in a muddle. However, this may not be at all convenient if your group has very little income and doesn't have a bank branch nearby. If you choose to top up your petty cash from cash received, make this your regular system. You should never make a petty cash payment before you have entered the full amount of incoming cash.

- b) No payments above (£enter amount) will be made by cash.
- c) We will record payments on a petty cash slip and keep till receipts, bus tickets, etc.

7) Staff wages

- a) We will keep records of staff wages in accordance with PAYE and National Insurance regulations.
- b) Where casual or part-time staff are paid in cash, the treasurer will make sure that staff sign a wages record sheet.

These financial rules were agreed by the management committee on:

.....(enter date)