

Document control

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1. Introduction

101.

The purpose of this document is to ensure that The West Somerset Railway Association (The Association) maintains and develops systems of financial control which conform to the requirements both of propriety and of good financial management.

102.

These financial regulations, define and set out the principles, policies, procedures, rules, guidance and responsibilities which govern the finance and financial management of the Association. The regulations cover the Association as a body and its Trustees, staff and volunteers as individuals who have duties and responsibilities to the Association. The purpose of the regulations is to protect the finances and financial stability of the Association, to protect the Association and its Trustees, staff and volunteers from any suggestion of financial impropriety and to ensure that the raising, safeguarding, expenditure and gifting of money or other financial assets is managed with the utmost propriety and in accordance with pertinent standards and law.

103. It is important to highlight that these regulations apply to all elements of the association, including its subsidiary trading arm, WSRA (Promotions) Ltd. In this latter case responsibility for some of these regulations will lie with the Directors of WSRA (Promotions) Ltd.

104. The regulations will be supplemented, over time, by separate documents that will provide further guidance at the procedural level eg Section 14 will include detailed day to day Finance operational procedures.

105. All Association Trustees, staff and volunteers are bound by the financial regulations and must ensure they comply with them. Any regulation queries should be directed, in the first instance, to the Treasurer of the Association.

106. The regulations should be read in conjunction with the Memorandum and Articles of the Association. If there is any conflict between the two documents the latter will prevail.

2. Fundamental principles

201. Trustees must be open, accountable, honest and beyond reproach in exercising their powers and fulfilling their duties and responsibilities to the Association.

202. Trustees must exercise due care and skill in using their powers and fulfilling their duties and responsibilities in relation to the finance and financial affairs of the Association.

203. The Association will comply with its financial obligations under the Charities Act 1993, as amended by the Charities Act 2006, and any subsequent applicable amendments and any other applicable regulations and law.

204. The Association and individual Trustees are bound by these financial regulations and any subsequent supplements, amendments or succeeding versions.

205. The Trustees will regularly review these financial regulations, at least once a year, to ensure their continued effectiveness.

206. These financial regulations may only be amended at a properly convened meeting of the Trustees.

207. The power to amend these financial regulations cannot be delegated.

3. Accounts

301. The trustees of all charities are under a duty to ensure that the charity keeps proper books and records, and that financial accounts and an annual report are prepared.

302. The Association will keep accounts in accordance with Company and Charity Law and accounting regulations.

303. This will include the following policies and practice:

i) The Trustees will keep proper books and records and prepare annual accounts which shall be properly audited.

ii) Financial accounts will be prepared annually for the period ending 31 December.

iii) The accounts will conform to the Charities Act 1993, the Charities Regulations 1995 and 2000 and will be in line with the methods and principals of the Charities SORP 2005 and the 2008 Regulations.

iv) The accounts will be prepared on an accruals basis.

v) The Trustees will formally approve an Annual Report and financial accounts.

vi) The financial accounts, along with the Trustees' Annual Report, will be submitted to the Charity Commission prior to the prescribed deadline.

304. All the financial transactions of the Association must be recorded on the financial management and accounting system.

4. Organisation**The Board of Trustees**

401. The Board of Trustees has overall responsibility for the administration of the Association's finances. The main responsibilities of the Trustees are prescribed in the Association's Memoranda and Articles of Association.

The Treasurer

402. The Trustees may from time to time appoint a treasurer or honorary treasurer, determine his or her powers and duties, fix his or her salary, if any, and at their discretion remove or suspend him or her from office. The person appointed will be responsible for the oversight of the Association's financial affairs in accordance with the principles and practice of sound financial management and governance in accordance with his or her powers and duties as determined by the Trustees. The treasurer or honorary treasurer if not in receipt of remuneration shall be a Trustee. If in receipt of remuneration, the post shall be ex-officio with the post holder attending meetings of the Trustees as an officer of the Association.

403. The Trustees may also at any time appoint a temporary substitute for the treasurer, who shall, on such appointment for the purpose of these regulations be deemed to be the treasurer.

404. In the absence of a Treasurer the Association may arrange for the role of Treasurer to be carried out by a Finance Sub Group.

Duties of Trustees

405. Duties of Trustees shall include:

(i) the initial review and authorisation of the annual budget;

(ii) the regular monitoring of actual expenditure and income against budget;

(iii) the authorisation of in year changes to budget;

(iv) ensuring the annual accounts are produced in accordance with the requirements of the Companies Act and other statutory and best practice guidance;

(v) authorising the award of contracts over £10,000

(vi) authorising changes to the Association personnel establishment and reviewing the Association staffing structure.

In the case of WSRA (Promotions) Ltd these duties lie with the Directors of WSRA (Promotions) Ltd.

Staff

406. Principal responsibility for effective financial administration lies with the Association's Manager.

407. The Association Manager should work in close collaboration with the Treasurer. The Association Manager also has direct access to the Trustees.

The main responsibilities of the Association Manager are:

- (i) the day to day management of financial issues including the establishment and operation of a suitable accounting system;
- (ii) the management of the Association financial position at an operational level within the framework for financial control determined by the Trustees;
- (iii) the maintenance of effective systems of internal control;
- (iv) ensuring that the annual accounts are properly presented and adequately supported by the underlying books and records of the Association;
- (v) ensuring the preparation of monthly management accounts;
- (vi) authorising orders with budget holders;
- (vii) signing cheques in conjunction with authorised signatories
- (viii) ensuring forms and returns are sent to the HMRC, Companies House and Charities Commission in line with prescribed timetables
- (ix) to bring to the attention of the Treasurer and or Trustees any instances of deviation from the financial regulations

408. Other members of staff and volunteers, including budget holders, will have some financial responsibilities. All staff are responsible for the security of Association property, for avoiding loss or damage, for ensuring economy and efficiency in the use of resources and for conformity with the requirements of the Association's financial regulations.

5. Financial Information

501. The Trustees will maintain reasonable arrangements for the safe and secure keeping of financial information including ensuring that there are effective back up procedures for the system.

502. The Trustees will maintain arrangements to comply with the Data Protection Act 1998.

503. A recovery plan should be put in place prior to the event of loss of accounting facilities and approved by the Trustees. This should link in with the annual assessment made by Trustees of the major risks to which the Association is exposed and the systems that have been put in place to mitigate those risks.

504. Access to the Association's financial system should be protected by a structured password protection system. Maintenance of this system will be the responsibility of the Association Manager.

505. Oversight of financial system security will be the responsibility of Trustees who, through specialist knowledge and skills, may appoint a trustee to take particular responsibility on their behalf of this area.

6. Annual Budget Preparation

601. The Treasurer is responsible for preparing and obtaining approval for the annual budget. The budget must be approved by the Trustees.

602. The annual budget will reflect the best estimate of the resources available to the Association for the forthcoming year and will detail how those resources are to be utilised. There should be a clear link between the plan objectives contained in the Annual Report and the budgeted utilisation of resources.

603. All budgets will have a Budget Holder.

604. Comparison of estimated and actual income and expenditure will identify any potential surplus or shortfall in funding. If shortfalls are identified, opportunities to increase income should be explored and expenditure headings will need to be reviewed for areas where reductions can be made. This may entail prioritising tasks and deferring projects/budgets until income and expenditure are in balance. A deficit budget on the current account for any particular year may be allowable but this should be seen as exceptional and must not undermine the long-term financial viability of the Association.

605. Once the different options and scenarios have been considered, a draft budget should be prepared by the Treasurer for approval by Trustees. The budget should be communicated to all staff and volunteers with responsibility for budgets so that everyone is aware of the overall budgetary constraints.

606. The budget should be seen as a working document which may need revising throughout the year as circumstances change.

607. Budgets should be prepared for both the current and the capital account. The capital account budgets, in particular, should examine implications for succeeding years and those implications will be reflected in the current account through depreciation charge calculations.

608. The budgets should also take into account the effect on the Association's balance sheet, in particular, its liquidity and availability of cash.

7. Budget Monitoring

701. Preparation of monthly reports will be overseen by the Association Manager. The reports will detail actual income and expenditure against budget both for budget holders and at a summary level for the Treasurer and Trustees.

702. Any potential overspend against the budget must in the first instance be discussed with the Association Manager. This includes the situation where the budget holder is also a Trustee.

703. The monitoring process should be effective and timely in highlighting variances in the budget so that differences can be investigated and action taken where appropriate.

704. If a budget overspend is forecast it may be appropriate to vire money from another budget or from any contingency. Virements are the agreement to transfer resource between one budget and another within a financial year. Budget virements of less than £2,000 may be approved by the Association Manager unless the proposed virement also results in a commitment to expenditure in future year(s). All budget virements in excess of £2,000 must be authorised by the Treasurer. All budget virements in excess of £5,000 must be authorised by the Board of Trustees. All virements must be approved before the expenditure is incurred; they are not designed to camouflage overspends. Preparation of monthly reports will thus compare actual expenditure and income against both revised and original budgets.

705. Budget monitoring should also take account of the effect on the Association's balance sheet, in particular, its liquidity and availability of cash.

8. Register of Interests

801. It is important for anyone involved in spending Association money to demonstrate that they do not benefit personally from the decisions they make. All Trustees are required to complete the Register of Interests and comply with the approved framework for managing conflicts of interest. Full details of benefits and conflicts of members and trustees are contained in Section 6 of the WSRA Articles of Association.

9. Purchasing and Contract Management

901. The Association wants to achieve best value from all of its purchases. Best value in this context means getting what is needed in the correct quantity, quality and time at the best price possible. Although price is not always the overriding factor in deciding which suppliers to use it is an important one.

902. Budget holders will be informed of the budget available to them at least one month before the start of the financial year. It is the responsibility of the budget holder to manage the budget and to ensure that funds available are not overspent.

It is recognised that in respect of the application of Sections 903 to 909 below to WSRA (Promotions) Ltd;

- a) **Responsibilities will fall to the Directors and staff of the company, rather than Trustees**
- b) **The Directors may wish to review the practicality of the spending limits or other provisions to each of the trading arms of the company. Where these differ from those pertaining to the charity these regulations will record this difference or differences.**

Routine Purchasing

903. Orders up to £1,000; reasonable steps will be taken to ensure value for money bearing in mind, price, discounts, quality, delivery guarantee, after sales service etc. The Association Manager should advise budget holders if an order does not seem to represent best value.

904. All transactions input to the accounting system must be authorised in accordance with the procedure notes specified in the Financial Procedures document. All journal entries must be authorised by the relevant budget holders prior to being input to the accounting system.

Orders over £1,000 but less than £10,000

905. Estimated value £1,000 – £2,500; at least two quotations are sought. The Association Manager and/or Budget Holder is authorised to accept the lowest quotation. If a quotation other than the lowest is accepted the reasons for this are reported to the Treasurer. Similarly, if the item to be procured is highly specialised and an additional quote is not available then the Association Manager should seek the approval of the Treasurer.

906. Estimated value £2,500 – £10,000; at least three quotations are sought. The Association Manager and/or Budget Holder is authorised to accept the lowest quotation. If a quotation other than the lowest is accepted the reasons for this are reported to Trustees

907. Where the Association is engaging in works such as building, decorating etc where Construction Industry Tax (CIT) applies, the Finance Manager must ensure that the supplier is registered under the scheme before accepting them to carry out the work.

Orders over £10,000

908. Three tenders are sought if the Association enters into a contract for the supply of goods or services involving total payments of £10,000 or more. Trustees' approval is required for orders over £10,000.

909. Records should be kept of how and from whom tenders were sought, what tenders were received, who was successful and the reasons for not accepting the lowest tender. **Forms of Tenders**

910. There are three forms of tender procedure: open, restricted and negotiated and the circumstances in which each procedure should be used are described below.

Open Tender: This is where all potential suppliers are invited to tender. The budget holder must discuss and agree with the Association Manager how best to advertise for suppliers e.g general press, trade journals or to identify all potential suppliers and contact directly if practical. This is the preferred method of tendering as it is most conducive to competition.

Restricted Tender: This is where suppliers are specifically invited to tender. Restricted tenders are appropriate where:

- there is a need to maintain a balance between the contract value and administrative costs,
- a large number of suppliers would come forward or because the nature of the goods are such that only specific suppliers can be expected to supply the Association's requirements,
- the costs of publicity and advertising are likely to outweigh the potential benefits of open tracts

Negotiated Tender: The terms of the contract may be negotiated with one or more chosen suppliers. This is appropriate in specific circumstances:

- the above methods have resulted in either no or unacceptable tenders,
- only one or very few suppliers are available,
- extreme urgency

Project Appraisal

911. All significant capital projects (i.e. where total forecast expenditure is greater than £10,000) should be subjected to an appraisal process. This appraisal will include:

- (i) Rationale for the project
- (ii) Timescale for the project
- (iii) Forecast of costs split over time and by type
- (iv) Forecast of funding split over time and by type
- (v) Cash flow analysis
- (vi) Assessment of benefits compared to costs
- (vii) Estimated return on capital employed
- (viii) Risk Assessment

912. All significant capital projects should have a budget holder and/or a project manager.

10. Fixed assets

Asset register

1001. All capital items must be entered in an asset register. The asset register should include the following information:

- asset description
- asset number
- serial number
- date of acquisition
- asset cost
- source of funding
- expected useful economic life
- depreciation category and charge
- current book value
- location
- name of person responsible for the asset

1002 The Asset Register helps:

- ensure responsibility for the safe custody of assets;
- enable independent checks on the safe custody of assets, as a deterrent against theft or misuse;
- to manage the effective utilisation of assets and to plan for their replacement;
- help the external auditors to draw conclusions on the annual accounts and the Association's financial system and
- support insurance claims in the event of fire, theft, vandalism or other disasters.

1003. There should be a full annual check of items entered on the asset register

1004 Assets of historical interest, artefacts, etc, should have an agreed value by the Trustees taking market forces into consideration.

Security of assets

1003 Stores and equipment must, where possible, be secured by means of physical and other security devices.

1004 All the items in the register should be permanently and visibly marked where possible as the Association's property and there should be a regular (at least annual) count by someone other than the person maintaining the register. Discrepancies between the physical count and the amount recorded in the register should be investigated promptly and, where significant, reported to Trustees. Inventories of

Association property should be kept up to date and reviewed regularly. Where items are used by the Association but do not belong to it this should be noted.

Disposals

1005 Items which are not separately identified within the asset register which are to be disposed of by sale or destruction must be authorised for disposal by the General Manager and, where significant, should be sold following competitive tender, or, where applicable, to auction. Items which are identified within the asset register with a value of less than £1,000 require approval of the Treasurer. Items of greater value require Trustee approval. This regulation will also apply to the swapping or trading of items.

1006 Disposal of equipment to staff is not encouraged, as it may be more difficult to evidence that the Association obtained value for money in any sale or scrapping of equipment. In addition, there are complications with the disposal of computer equipment, as the Association may need to ensure licences for software programmes have been legally transferred to a new owner. It would be usual for obsolete IT equipment to be scrapped or broken up. Hard drives should be wiped or dismantled.

1007 All disposals of land must be agreed in advance with the Trustees and have regard to the requirements of the Charity Commission on disposals.

Loan of Assets

1008 Items of Association property must not be removed from Association premises without the authority of the Association Manager. A record of the loan must be recorded in a loan book and booked back in when it is returned.

1009 If assets are on loan for extended periods or to a single member of staff on a regular basis the situation may give rise to a “benefit-in-kind” for taxation purposes. Loans should therefore be kept under review and any potential benefits discussed with the Association’s auditors. If assets are on loan to other organisations (whether or not a lease or rent is paid) then the desirability of such loans should be periodically reviewed to take account of the charitable benefits achieved and the value for money received. There needs to be a formal running agreement in these cases.

11. Cash Management**Bank Accounts**

1101 The opening of all accounts must be authorised by the Trustees who must set out, in a formal memorandum, the arrangements covering the operation of accounts, including any transfers between accounts and cheque signing arrangements. The operation of systems such as the Bank Automated Clearing System (BACS) and other means of electronic transfer of funds must also be subject to the same level of control.

Deposits

1102. Particulars of any deposit must be entered on a copy paying-in slip, counterfoil or listed in a supporting book. The details should include:

- the amount of the deposit and
- a reference, such as the number of the receipt or the name of the debtor.

Payments and withdrawals

1103. All cheques and other instruments authorising withdrawal from Association bank accounts must bear the signatures of an authorised signatory and conform to the requirements contained in the Cash and Cheques procedure document:

1104. This provision applies to all accounts operated by or on behalf of the Trustees. Authorised signatories must not sign a cheque relating to goods or services for which they have also authorised the expenditure.

Administration

1105 The Association Manager must ensure bank statements are received regularly and that reconciliations are performed at least on a monthly basis. Reconciliation procedures must ensure that:

- (i) all bank accounts are reconciled to the Association's cash book;
- (ii) reconciliations are prepared by a suitably qualified Finance Resource
- (iii) adjustments arising are dealt with promptly.

1106. It should be a general rule that expenditure should not be made from cash income collected except for very small purchases and then a full record including receipts should be kept.

Petty Cash Accounts

1107. Where the Association maintains a cash balance it should be kept to a minimum and in a secure place. A record of expenditure from a petty cash account should be kept.

Deposits

1108 The only deposits to petty cash should be from cheques cashed specifically for the purpose. The receipt should be recorded in the petty cash system with the date, amount and a reference, normally the cheque number, relating to the payment. All other cash receipts for whatever reason should be paid directly into the bank.

Payments and Withdrawals

1109 In the interests of security, petty cash payments will be limited to £50. Higher value payments should be made by cheque or BACs.

Administration

1110 The Finance Resource is responsible for entering all transactions into the petty cash records on a regular basis and regular as well as unannounced cash counts should be undertaken by the Association Manager to ensure that the cash balance reconciles to supporting documentation.

Physical Security

1111 Petty cash should be held in a locking cash box which is put in the safe overnight.

Cash Flow Forecasts

1112 The Association Manager is responsible for monitoring cash flow and preparing cash flow forecasts with the assistance of the Treasurer, in order to ensure that the Association has sufficient funds available to pay for day to day operations. If significant balances can be foreseen, steps should be taken to invest the extra funds. Similarly plans should be made to transfer funds from another bank account or to re-profile payments to cover potential cash shortages.

Investments and Loans/Overdrafts

1113. Investments must be made only in accordance with written procedures approved by Trustees.

1114. All investments must be recorded in sufficient detail to identify the investment and to enable the current market value to be calculated. The information required will normally be the date of purchase, the cost and a description of the investment. Additional procedures may be required to ensure any income receivable from the investment is received.

1115. The Treasurer shall be responsible for recommending the actual investments to be made, including the utilisation of cash surpluses. The primary focus of any individual investment will be the security of that investment. Although, clearly, there are issues of judgment and balance of risk to be made, the future availability of cash should be accorded a secondary priority and the rate of return on any investment should be accorded a tertiary priority.

1116. It is envisaged that the taking out of a loan or overdraft facility may, at times be necessary. However, the presupposition is that this will be

- (i) for a short period
- (ii) for a relatively small amount
- (iii) unavoidable

The taking out of any loan or availing of an overdraft facility will need the formal approval of Trustees. In an emergency the Treasurer and Chairman may so authorise, but a report seeking retrospective approval of their actions would need to be presented to the next formal meeting of Trustees.

1117. It should be noted that the Articles of Association state that the Trustees have the power to borrow money and to charge the whole or any part of the property belonging to the Association as security for repayment of the money borrowed or as security for a grant or the discharge of an obligation. The Association must comply with sections 38 and 39 of the Charities Act 1993, as amended by the Charities Act 2006, if it wishes to mortgage land. This power cannot be delegated.

12. Debt Write-off

1201. Debts of less than £1000 may be written off by the Association Manager in consultation with the Treasurer up to a maximum of 6 in any one financial year.

1202. Debts greater than £1000 will need the approval of the Board of Trustees for write-off.

1203. Small debts to the value of less than £10 (for the purpose of clearing balances) may be written off by the Finance Manager

13. Insurances

1301. The decision to buy a certain type of insurance (apart from any that the law requires) is one way that WSRA trustees can carry out their duty to protect its assets and resources.

As an employer, the WSRA is required by law to purchase employer's liability insurance.

1302. Trustees should regularly examine all of its activities in its risk assessments and consider which risks may need the purchase of insurance cover. Trustees need to decide which areas of WSRA activity present a real or significant risk of a particular form of loss or liability occurring. In particular, if the decision is made not to insure against a risk, would the WSRA be able to continue its work or remain viable if it incurred losses from that risk and, alternatively, should the WSRA reduce or stop the activity which gives rise to the risk. WSRA Trustees also need to consider the cost to take out insurance to cover any particular risk and whether there are other measures that can be taken to manage the risk, for example increasing security measures or improving internal financial controls.

14. Detailed Financial Procedures

1401. Detailed financial procedures, which WILL form part of these regulations, are prepared to provide guidance for those members and staff of the Association who have day-to-day involvement in financial matters. The Treasurer, the Association Manager and the Finance Resource are jointly responsible for the preparation and maintenance of these records and for ensuring that the guidance contained therein is adhered to.

1402. Financial Procedures are to be prepared on the following topics:

- (i) Transaction processing and transaction reports
- (ii) Accounting reconciliations
- (iii) Bank Reconciliation
- (iv) Payroll administration and control
- (v) HR administration and control
- (vi) Payment of Invoices
- (vii) Collection and Banking of Income
- (viii) Raising and Collection of Debt
- (ix) Cash and cheque procedures
- (x) Internet Banking
- (xi) Project Management