



Financial Policies and Procedures

Approved June 2024

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1. INTRODUCTION

- 1.1. The Crumbs Financial Policy and Procedure Manual provides the policies and procedures for financial transactions. It also provides the guidelines Crumbs will use to administer these policies.
- 1.2. Crumbs will keep all financial policies current and relevant. From time to time, it will be necessary to modify and amend some sections of the policies and procedures, or to add new policies and procedures.

2. THE ROLE OF THE BOARD/TRUSTEES

- 2.1. The Board has the overall responsibility for the financial health of the organisation whilst delegating specific responsibilities as outlined below. The Board has the responsibility with particular regard to:
 - 2.1.1. That the assets of Crumbs both financial and physical are safeguarded.
 - 2.1.2. The keeping of financial and other related records relevant to the Memorandum and Articles and any required legal or regulatory controls.
 - 2.1.3. The preparation of the annual accounts in accordance with the governing documents and any legal or regulatory requirements.
 - 2.1.4. The financial authorisations and control systems that are appropriate to the organisation and in accordance with the required procedures.
- 2.2. A copy of this policy and procedures will be given to all members of the Board on their election/appointment to the Board, and to all relevant staff.
- 2.3. The policy and procedures will be reviewed bi-annually and revised as necessary.
- 2.4. These policies and procedures are to be read in conjunction with the Crumbs Memorandum and Articles.
- 2.5. A Trustee will undertake the responsibility for the oversight of the financial policies and reporting arrangements.

3. FINANCIAL GOVERNANCE

3.1. FINANCIAL RESERVES ⁽¹⁾

- 3.1.1. The organisation should, as a matter of sound financial governance, maintain a reserve of not less than a minimum of 6 months of operating costs. This reserve should be kept under review and be amended and approved by the Board as appropriate on an annual basis. This reserve is not required to be held in a separate bank account.
- 3.1.2. The amount should be reported annually in the published accounts.

3.2. DESIGNATED FUNDS

- 3.2.1. See Appendix 1 - Financial Designated & Reserves Policy.

3.3. FINANCIAL PROCEDURES

- 3.3.1. The Financial Year runs from 1st January - 31st December
- 3.3.2. Name of Bankers: -
 - 1. CAF Bank - Cash and Gold Deposit Accounts
 - 2. NatWest Cash Account
 - 3. Investment Account - managed through the CAF Flagstone Platform
- 3.3.3. Accountants /Independent Examiner - James Paget, Partner, tc Group, 10 Bridge Street, Christchurch, Dorset, BH23 1EF
- 3.3.4. The accounts will be maintained on an accrual basis.
- 3.3.5. Annual Budget. An annual budget, setting out the financial plan for the year, will be prepared and approved by the Board at the start of each financial year. The draft budget will be prepared having taken due regard to the views of the Board and the Management Team.
- 3.3.6. The budget should be prepared in order ensure a 'balanced budget' that reflects the income against expenditure, subject to any exceptional items that are approved by the Board.

3.4. FINANCIAL REPORTS

- 3.4.1. A financial report will be prepared for every Board meeting.

¹ To be read in conjunction with Appendix 1 Policy for Designated Funds and Reserves (

3.4.2. The financial report will consist of a view of the current financial health of the organisation that will include;

1. An income and expenditure statement
2. A statement of the cash position
3. A statement of the actual -v- budget position

3.4.3. The report will be circulated to the Board and discussed at the following Board meeting.

3.5. ANNUAL REVIEW OF ACCOUNTS AND COMPLIANCE

3.5.1. The accounts are to be reviewed annually by a professional external accountant. The external accountant will examine the accounts as an Independent Examiner and prepare the required financial statements in accordance with the current Accounting Standards. The independent examination will comment on the accuracy of the accounts and any matters arising.

3.5.2. The Annual Financial Statement and Directors Report will be approved by the Board before submission to the Charity Commission and Companies House

3.5.3. The accountant will be appointed by the Board. The tenure of the nominated accountant will be reviewed every five (5) years.

4. FINANCE AUTHORISATION POLICIES

4.1. PURPOSE OF THE POLICY

4.2. All finance transactions as noted in this policy are to be authorised by the appropriate person before the transaction being undertaken.

4.3. Before any of the following finance transactions are undertaken, the authorising person(s) noted must authorise/confirm the transaction.

Finance Transaction	Authorised Person(s)	Financial Limit
Bank Accounts	Chair/ Nominated Trustees/ Head of Centre - (any two to authorise)	£20,000 single authorisation
Issuing Petty Cash	Head of Centre/Head of Operations	£500
Purchasing Stock	Head of Centre/Head of Operations	£2,000 per invoice
Payment of Invoices	Head of Centre/ Head of Operations	£5,000 per single invoice For invoices £5,000 - £19,999 Two authorised persons

5. BANK ACCOUNT POLICIES

5.1. PURPOSE OF THE POLICY

5.2. This policy sets out the requirements for the use of bank accounts, including opening, and closing authorisation, variations to terms and conditions, reconciliation of bank accounts and bank account transactions.

5.2.1. Opening Bank Accounts

1. Any new bank accounts to be opened for the business must have the authorisation of the nominated trustee and the Chair of the Board.
2. For each new bank account opened, the financial record system must be updated, and the bank account registered.

5.3. Bank Account Authorisations

5.4. For monies withdrawn from any bank account, whether by cheque, EFT or other online payment method, these must be authorised for each payment.

5.5. The authorised persons for CAF bank account payments are:

5.5.1. Chair

5.5.2. Nominated Trustee(s)

5.5.3. Head of Centre

5.5.4. Book Keeper

5.5.5. Head of Operations

5.6. Each payment made must be supported by the appropriate documentation and authorisations.

5.7. The authorised persons for NatWest bank account payments are:

5.7.1. Chair

5.7.2. Head of Centre

5.7.3. Head of Operations

5.8. Each payment made must be supported by the appropriate documentation and authorisations.

5.9. The authorised persons for the CAF Flagstone Investments are:

5.9.1. Chair

5.9.2. Nominated Trustee(s)

5.9.3. Head of Centre

5.9.4. Head of Operations

5.10. Variations to Bank Account Terms and Conditions

5.10.1. Any variations in the banking arrangements can be authorised or varied by the nominated trustee and the Chair of the Board.

5.10.2. The Book Keeper is responsible for updating the financial system and/or bank account register with the new information.

5.11. Closing Bank Accounts

5.11.1. Where it is decided that a bank account is no longer necessary, the nominated trustee and the Chair of the Board will authorise the closure of the bank account.

5.11.2. The management accountant will:

1. Ensure all transactions concerning the account (including cheques drawn) have been completed;
2. Lodge with the bank a letter, signed by the Chair authorising the closure

3. Meet the bank's requirements concerning account closure; and update the financial system as appropriate.

5.12. Bank Account Transactions

- 5.12.1. All deposits received into the Charity must be banked as soon as possible by Head of Centre or Head of Operations into the NatWest cash account weekly or the CAF Bank as appropriate.
- 5.12.2. Cash revenue from Hibberd Court residents is to be cashed at the end of each week and banked the following Monday.
- 5.12.3. The NatWest cash account balance should not exceed £10,000. Any excess funds should be transferred as soon as possible into the CAF account
- 5.12.4. Unallocated direct deposits will be investigated fully to determine the source of deposit.

5.13. Bank Account Conditions

- 5.13.1. The NatWest cash account has been opened to make paying in weekly cash easier and safer at the post office. There are no fees to this account as long as the annual turnover remains below £100k. This will need to be reviewed on an annual basis to ensure charges are not incurred.

6. FINANCIAL SYSTEMS

6.1. PURPOSE OF THE PROCEDURE

- 6.2. This procedure outlines the basis of the financial system, and the accounting record-keeping to be followed in the efficient and effective management of the charity finances.
- 6.3. Having a resilient and transparent accounting process is critical for maintaining financial integrity, making informed decisions, and ensuring regulatory compliance. A robust cloud-based platform such as Xero is important to achieve these objectives. The Board has approved the licence and use of Xero with effect from 1 June 2024. The first six months of use it will be a parallel system until the end of the financial year of 31 Dec 2024, from which it will be the approved system.
- 6.4. Key reasons include:
 - 6.4.1. Data Security & Backup - All data is securely stored in the cloud with automatic back ups and updates, preventing data loss.
 - 6.4.2. Anytime, Anywhere Access - Xero can be accessed from any device with an internet connection, enabling remote work.

- 6.4.3. Audit Trail - All transactions are automatically tracked with a tamper-proof audit log for transparency.
- 6.4.4. Simplified Compliance - simplification of tax filing and helps maintain compliance with accounting standards/regulations.
- 6.4.5. Real-Time Visibility - Up-to-date financial data provides real-time visibility into management accounts including, cash flow, profits, payables/receivables, etc.

6.5. Responsibilities

6.5.1. Chair/Nominated Trustee(s)

- 1. Overall financial oversight and big-picture decision-making based on reports
- 2. Approving major expenses and monitoring cash flow

6.5.2. Head of Centre/ Head of Operations

- 1. Ensuring proper usage of Xero based on accounting policies/procedures
- 2. Ensuring staff training as needed
- 3. Entering vendor bills and paying them on time to avoid late fees
- 4. Applying proper expense categories to vendor bills
- 5. Invoicing customers promptly and accurately
- 6. Monitoring receivables ageing and following up on outstanding invoices
- 7. Ensuring the correct categories for grants, donations and the use of restricted and non-restricted funds ²

6.5.3. Staff

- 1. Submitting any expense reports and receipts promptly

6.5.4. Bookkeeper

- 1. Ensuring proper tax handling and the correct categorisation of all income and expenses
- 2. Preparing the monthly management accounts

² In conjunction with the Funding and Projects Manager

3. Analysing the financial reports and producing management metrics to aid in the operational decisions
4. Auditing transactions for accuracy as required

6.5.5. Authorised Users

1. The following will be authorised Standard Business and Accounting Access
 1. Chair/Nominated Trustee(s)
 2. Head of Centre
 3. Head of Operations
 4. Bookkeeper
2. The following will be authorised Project Access (Not Administration Access)
 1. Funding and Projects Manager
3. Advisors - Full Access as Advisors for Audit and Review Purposes
 1. James Pagett - tc Accountants

Appendix 1

DESIGNATED AND RESERVES POLICY

1. INTRODUCTION

- 1.1. The Crumbs Charity maintains designated funds and reserves to ensure the long-term financial stability of the organisation and position itself to respond to varying economic conditions and changes affecting the organisation's financial position and the needs of its constituents.
- 1.2. The Crumbs Charity maintains reserves to ensure the charity can operate effectively and sustainably. The reserves policy is set by the trustees and aims to provide financial security, allowing the charity to develop and plan for the future while managing financial risks and uncertainties.

2. DESIGNATED/RESERVE FUNDS

- 2.1. The Board of Directors may designate portions of the organisation's unrestricted net assets for specific purposes, projects or investments. Reasons for establishing funds can include:
 - 2.1.1. Designated
 1. Setting aside funds for future capital projects/expenditures
 2. Earmarking investment returns for specific purposes
 3. Providing matched funding required for grants/contracts
 4. Providing a fund restricted for specific purposes eg. Traineeships
 - 2.1.2. Reserves
 1. Creating a reserve for economic/operational contingencies
 2. Funding new programme services or strategic initiatives
 3. Creating a reserve to cover deficits in operation cash flow
- 2.2. Any other specific purpose designated by the Board

2.3. These designated and reserve funds are not time-limited.

2.4. These designations are voluntary, approved by the Board, and may be reversed and the funds returned to unrestricted status by a vote of the Board.

3. RESERVES

3.1. The organisation will maintain the following reserves of net assets:

3.2. Operating Reserve

3.2.1. The operating reserve is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses, including the winding up of the charity should that be necessary. The operating reserve may also be used for one-time, nonrecurring expenses that will not increase operating costs in future years.

3.2.2. The operating reserve's target amount will be a minimum of at least six months of budgeted operating expenses. This amount will be calculated annually after approval of the annual budget.

3.3. Investment Fund Reserve

3.3.1. The investment fund reserve is a longer-term pool of funds invested to provide investment returns that can be used for the general operations of the organisation. The target amount for the investment fund reserve will be determined annually by the Board of Directors, based on prevailing market conditions and the organisation's long-term operational needs.

3.4. Funding of Reserves

3.4.1. The organisation will build up the reserves through any combination of the following:

1. Annual budgeted allocation of surplus operating funds
2. Unbudgeted operating surpluses at the end of each fiscal year
3. Portion of income from investments, as determined annually by the Board
4. Any other funds designated for reserves by the Board

4. USE OF RESERVES

4.1. Use of the operating reserves, informed by analysis and recommendations, requires approval from the Board of Directors. Funds from the investment fund

reserve will be drawn upon annually as determined by the Board as part of the budgeting process.

5. MONITORING AND REPORTING OF RESERVES

- 5.1. The Chair will maintain records of the designated funds and reserves and provide regular reporting to the Board of Directors
- 5.2. The trustees will monitor actual reserves held versus the target level. If reserves rise above the target level, the trustees will consider using the excess for strategic programme spending in line with the charity's purposes. If reserves fall below target, the trustees will review finances and make operational changes to allow reserves to be replenished within an agreed period.
- 5.3. The amount of reserves held, analysis of movements, and plans to bring reserves in line with target levels will be disclosed in the annual report. The trustees must explain any decision to operate without reserves, despite the risks this creates.

6. REVIEW

- 6.1. This reserves policy will be reviewed annually and updated as part of the charity's planning/budgeting cycle.