

FINANCE PROCEDURES

Updated June 2019

Bank Accounts

The Pre-School holds the following bank accounts with Lloyds TSB:

Current Account Opened May 2008 for all day-day transactions.

Contingency Account Opened May 2008 as a Deposit Account in which an amount sufficient to cover possible staff redundancy, a month's wages, rent, were kept. In November 2016 this was changed to include other contingency amounts (£20,000 added) as deemed appropriate. In August each year the amount will be reviewed by the Book-keeper and referred to the Trustees if necessary. At the end of each financial year the accrued interest will be transferred to the current account by the Book-keeper.

Purchase Account with a balance of £1,000 Opened May 2011 for on-line purchases. Debit Cards for this Purchase Account will be held by the Manager, the Named Trustee and one other staff member to do day-to-day shopping.

These accounts are to be accessible online, by the Book-keeper for the purposes of reporting and paying wages (see below), and the Named Trustee only.

There should be four signatories in total: three Trustees, and the book-keeper who will not be authorised to sign cheques, but, by being a signatory, will be enabled to work on the accounts. Two signatories, are required to sign cheques drawn on the Current Account up to £5,000.00, and above £5,000.00 three signatories are required to sign.

At any change of trustees, the bank mandate must be updated showing who is authorised to sign cheques. This must be minuted, showing names and trustee status. A list of signatories should be sent to the Book-keeper at each change.

If a new bank account is opened, the bank needs to know the charity number 1169861 so that it can be instructed not to deduct tax from any interest paid.

A copy of the completed mandate should be held in the Pre-School's Trustee's file.

Bank statements – a copy will be sent to the nursery and should be passed on to the Book-keeper, who may also use the online banking facility to print statements.

All bank accounts must be reconciled against the cashbook on a continual basis. Online banking makes this task very simple, so a separate file need not be kept, and the reconciliation must be included in the Book-keeper's report.

A surplus of funds should not be built up which may result in loss of grant aid.

The Pre-Schools funds should not be invested in any way that may put the funds at risk. Therefore, it should be limited to current and non-risk savings accounts.

Budgets

A budget for the following year should be set at the end of the school year in order to prevent debt, to predict income and expenditure, to assist the Trustees in setting Pre-School Session Fees and planning Pre-School development and to show to any outside person, including funders, how the Pre-School will use its resources to meet its constitutional aims.

The budget can be based on the previous year's accounts, taking into account inflation and any changes in procedure, and should be the responsibility of the Named Trustee with assistance from the Manager and the Book-keeper. The finished Budget should be sent to the Book-keeper before the end of August.

The budget should be monitored against actual payments and receipts in the Book-keeper's report.

Reporting

The bank balance should always be available to the Trustees.

A report of receipts and payments along with budget-monitoring will be made at the close of each half term by the Book-keeper and sent to the Trustees by the Book-keeper.

After the end of the Pre-School's financial year (31st August), a year-end receipts and payments account will be prepared by the Book-keeper.

This will be presented at the AGM. It should be formally accepted and this should be minuted. A copy must be kept on the Trustees file.

The year-end accounts must be examined by an Independent Examiner. This person should be someone with suitable accounting experience, but does not have to be an accountant. He or she should not have any personal connection with the Pre-School, the Trustees or staff and, therefore, is independent. This task will be paid for in the sum of £50 (set July 2009) and should be completed before the date of the AGM.

The Charity Commission should automatically send forms to be filled in and returned by the Named Trustee for the previous year's accounts.

With the introduction of Real Time Information (RTI) reporting NI and PAYE etc to HMRC is done automatically.

Income

Session Fees are paid by some parents. It is important that the book-keeper is sent a note of the names of the children for whom these are paid, and of the amounts in order to analyse the bank account.

Funding from Norfolk County Council will be paid into the current account on a monthly basis.

All income received must be noted and clearly recorded , and this information, together with any remittance advices, should be sent to the Book-keeper as soon as possible. All income records will then be transferred to the cashbook.

Banking – A designated member of staff or trustee who is a signatory will take money to be paid in to the bank as occasion demands. A note of the transaction showing clearly where the money paid in is from should be sent to the book-keeper as soon as possible.

No amount of money (including Petty Cash) that exceeds the limit stated in the Pre-School insurance should be held at the Pre-School.

Payments

Any Item or work above £1,000 should be subject to three quotes.

Invoices should be passed to the Named Trustee for payment. Cheques should be signed by two or three trustees. (see above). All cheques must have a Payment Slip to which the original invoice/till receipt is attached. If there is no invoice the trustee should try to get a copy or explain fully on the payment slip the destination and purpose of the cheque. The slip should show the Date, Cheque Number, Payee, Amount and Category. Cheque stubs should be fully completed.

The slips and invoices should be sent weekly to the Book-keeper to be entered into the cashbook. The Book-keeper will keep all paid invoices. Only copies of invoices for items which may need to be serviced or replaced need be kept at the Pre-School.

Where possible, accounts should be set up with shops/companies, so that as many purchases as possible can be invoiced to the Pre-School, rather than payment having to be sent with an order/made with a purchase. Payment by BACS should be done wherever possible, with the original invoice and an instruction to pay sent to the Book-Keeper.

Small purchases (under £10) can be made from Petty Cash where purchasing on account is not possible or paying by cheque is not practical.

Larger items can be bought on-line using the Purchase Account by the authorised card holders up to an individual limit of £ 50. (see minutes 22.2.18)

Authorisation by the Trustees is required above that amount. Purchase Account to be kept at a balance of £1,000 by monthly topping-up from current account.

Any shop till receipts/invoices paid by members of staff or Trustees should be attached to a claim form and passed to the Named Trustee for remuneration by cheque or to designated staff member for remuneration from Petty Cash.

Expenses – Any expenses claim by a member of staff should be made out and sent to the Trustees for approval, then passed on to the Book-keeper when it will be paid with wages in the next month.

Blank cheques should never be signed.

A note should be sent to the Book-keeper if a cheque is void or cancelled.

The Trustees should post written instructions for any transfers or alterations to procedure to the Book-keeper so that a permanent record can be kept.

Debts

Invoices will be issued in the week preceding the start of the month and will be due for payment on the 1st of the month. Unless there is a prior arrangement, a late charge of £5 will be made for fees outstanding after 5th of the month. Any parent or carer whose fees remain unpaid after 5th of the month, without prior agreement of the Preschool Manager, risks their child's extra hours above funding at the pre-school being withdrawn. Any payments that are cancelled or returned from the bank will incur a £25 administration charge, and the parent/carer will be asked to pay by cash in future.

Un-notified late collection will be charged at a rate of £20 per quarter hour to cover emergency staffing and other arrangements. In case of default on payment the preschool reserves the right to apply a £50 administration fee for preparation of court papers and interest will be charged at 8% above the bank's prevailing base rate.

Ordering

The Trustees should have an agreed limit to the value of an order that can be made by the Manager or other staff member without approval from the Trustees. This includes on-line purchases made using the debit card on the Purchases account.

If work is to be ordered over the agreed limit, written tenders should be obtained from two or three people/companies before making a choice. These tenders should be kept on record, so the Trustees can demonstrate it has been careful with the Pre-School's money.

Wages

Wages (including holiday pay) are paid monthly as per employee contracts.

A pay review is normally carried out yearly, at the time of the AGM. The book-keeper is to be advised of any wage increase to be paid, and the date it should start from. This will usually be on the 6th of a month in line with HMRC payroll dates.

Payments are made by BACS directly to employee bank accounts from the Lloyds Current Account by the Book-keeper to reach their accounts on the 19th of each month or the working day before 19th if it falls at the weekend.

Overtime requests should be detailed on an Overtime Sheet each month, signed by the member of staff and passed on for authorisation:

Manager to Trustees Other Pre-School staff to Manager and Trustees Book-keeper to Trustees.

Once authorised, the Overtime Sheet should be passed on to the Book-keeper by the 12th of the month in which the overtime is to be paid.

The Book-keeper must be advised in writing by the Trustees of any issue which affects the amount paid to an employee. The correct deductions of NI and PAYE are calculated by using the HMRC Basic PAYE software.

Following the change in Pension Law pension contributions are paid by and for eligible employees using the NEST Pension Scheme.

The Pre-School is registered with the Inland Revenue to deduct Tax and National Insurance as per their instructions.

Tax and National Insurance must be paid over to the Inland Revenue for each quarter as directed by HMRC and is done by BACS from the Lloyds Current Account by the Book-keeper.

Any correspondence from HMRC should be passed immediately to the Book-keeper.

Payslips will be issued to employees, each month, showing all payments and deductions.

P60s must be given to staff by 31st May of each year.

Petty Cash

One designated member of staff will be responsible for the Petty Cash, which will be held in a locked tin in a safe place in the Pre-School and the key in a separate, secure place within the Pre-School.

The float will be set at £100 (set May 2011) and may be used for buying children's snacks, groceries, stamps, cleaning materials and other small items.

When a purchase is necessary from Petty Cash, a suitable sum should be taken from the tin and a note made on a petty cash receipt to say how much has been taken out and signed for.

When the purchase has been made the change should be returned to the tin, the original note crossed through, amount and details of purchase entered, with payment category, the petty cash receipt numbered and the till receipt attached.

When the petty cash needs topping up (drops below £35), the receipts will be added up, the category of every item written on them, a cheque for that amount of cash written, then cashed either out of monies held or at the Bank or Post Office, (the latter to be done by a signatory), that amount of cash returned to the tin and the receipts and payment slip sent to the Book-keeper for analysis and entering into cashbook.

The amount in the tin must always add up exactly to the float amount whether it is made up of receipts or cash or a combination.

NO MONEY TO BE PAID INTO Petty Cash except from the cheques written as above.

Retention of Accounting Records

Data Recorded Accounts / HMRC	Lawful / Legal Basis for Recording Data	Data Sharing	Data Storage	Data Retention	Data Destruction
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<i>Business expenses including purchase receipts</i>	<i>Legal obligation required by HMRC</i>	<i>On request by HMRC</i>	<i>Stored ...</i>	<i>For at least 5 years after the 31st January submission deadline of the relevant tax year</i>	<i>Documents either deleted or shredded after the required length of time.</i>
Accounts on paper			Kept at book-keeper's address for two years then transferred to storage at MGPS.	Kept at MGPS for a minimum of five years	Destroyed by shredding after a minimum of seven years
Accounts Data			Kept on a password protected computer at book-keeper's address. Backed up regularly and the latest copy taken to be stored off-site once a month.	Six years from the end of the financial year in which the transaction was made.	Deleted from system and back-ups.
Payroll, Employee Records on paper	"	"	Kept at book-keeper's address.	For at least seven years	Destroyed by shredding after a minimum of seven years
Payroll, Employee Records Data	"	"	Kept on a password protected computer at book-keeper's address. Backed up regularly and the latest copy taken to be stored off-site once a month.	For at least seven years	Deleted from system and back-ups.

Capital Items

Capital items (fixed assets) are items that have an expected life for the Pre-School that exceeds one year and that initially cost more than £50 or an amount fixed by the Trustees.

An inventory should be kept which includes date of purchase, cost, cheque number (for ease of tracing), supplier, description, location and how funded (if appropriate). Receipts should be kept. A copy of the inventory should be kept away from the Pre-School building by the Book-keeper.

All items should be insured for their replacement cost, as new.

VAT

The provision of Ofsted registered pre-school and nursery education is exempt from VAT, which means that VAT cannot be added to the fees charged by the Pre-School.

Therefore the Pre-School does not have to register or account for VAT (at 26 April 2017 and see VAT Notice 701/30, para 8.2). Government funding for schools is exempt from VAT and grants and donations are outside the scope of VAT

Miscellaneous

Fundraising – Funds raised may only be used for the purpose for which they were raised. Payments should not be made out of money received. Receipts and payments should be treated as above.

Gifts to leaving trustees/volunteers & staff - These may be given out of funds: The Charity Commission guidance is that it should be of nominal value, not exceeding £25. It can be seen as fitting in with the aims of the charity if it encourages others to volunteer/boost staff morale and therefore benefit the charity.

Corporation Tax – As a general rule, pre-schools do not have to pay Corporation Tax. However, if items such as sweatshirts and books are sold on anything more than a small scale, the Pre-School may become liable and the Inland Revenue would need to be contacted.

Help and guidance can be found on the Charity Commission website, such as a leaflet for new trustees: www.charitycommission.gov.uk/index.asp