

THE NATIONAL BIODIVERSITY NETWORK TRUST RULES AND STANDING ORDERS

FINANCIAL MEMORANDUM
(A WORKING PAPER)

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1. INTRODUCTION

1.1. This memorandum aims to outline the structure for the NBN Trust's financial and management systems. The memorandum splits into two sections Policies and Procedures

2. REPORTING REQUIREMENTS

2.1. Every year Trustees will prepare an Annual Report and Accounts and have them verified. The requirement for preparing accounts is outlined in the Companies Acts and these accounts will show a true and fair view. The NBN Trust complies with the Charity Commission's Statement of Recommended Practice (SORP) in preparing the accounts.

2.2. All Trust accounts will be prepared under the accrual system and submitted to Company House within 10 months of the end of the financial year.

2.3. Audit Requirements - The Trust is incorporated under the Companies Act and as a "small company" is not required to have its accounts audited. However, as it is a registered charity, its accounts also have to comply with the requirements of the Charities Act 2011. This legislation requires all charities with gross income in excess of the statutory limit, currently £1,000,000, to have their accounts audited. The most practical way to meet this obligation is to have a full statutory audit under the Companies Act of 2006, as to do so also satisfies the requirements of the Charities Act.

2.4. Reporting to the membership

A board meeting will review the annual financial statements and annual report before presenting to the membership. The report will:

- Compare budgets with actuals for the quarter and year to date.
- Give the latest estimate of committed and uncommitted funds
- Give the latest Annual Budget position.

3. FINANCIAL CONTROLS AND SYSTEMS

3.1. FINANCIAL OBJECTIVES

3.1.1. There are several options that could form financial objectives for the Trust, but the Charity Commission lays down the following:

- For the **Trust** not to profit
- For the **membership** and **trustees** not to profit
- For the **staff** not to profit.
- The NBN Trust will also aim to:
- Live within the financial constraints of the Trust
- Be prepared to have plans tabled due to lack of income
- Ensure best value for money
- Maximise the assets of the Trust

3.2. BANKING REQUIREMENTS

The NBN Trust will initially bank with
NatWest bank
South Notts Business Centre
51 market Place
Long Eaton, Nottingham
NG10 1JL

- 3.2.1 The NBN Trust will aim to maximise the amount of interest earned by whatever means are made available by the bank, with surplus funds being held in either a high interest reserve account or by investing in a fixed rate charity bond account.
- 3.2.2 The Trust will aim to ensure that the current account will never go into a deficit (and so incur bank charges).
- 3.2.3 Bank statements are sent around the start of each month. The on-line banking system is regularly checked (i.e. daily if possible) to ensure that no fraudulent activity is happening. This also ensures that the Sage finance system is as up to date as possible to provide accurate reports when required.
- 3.2.4 The NBN Trust will make use of on-line banking facilities. This will be used to gain instant balances and bank statements. This can also be used to transfer funds between the current and the deposit accounts and to make online payments where possible. Passwords will be kept in a sealed envelope and kept in a locked safe.
- 3.2.5 The Financial Memorandum will be reviewed at three yearly intervals to ensure its currency with legislation, technology and business practices.

3.3 CHEQUE MANAGEMENT

- 3.3.1 There will be a minimum of two signatures on all cheques over £1,500 of which one will normally be the Chief Executive as laid out in 3.4. Under no circumstances will there be a practice of signing blank cheques.

3.4 LIMITS OF AUTHORITY

- 3.4.1 Purchasing goods and services will be restricted to NBN Trust staff and must be made through the Finance and Business Officer, the Chief Executive or the Treasurer
- 3.4.2 The Treasurer, Chief Executive and the Finance and Business Officer individually are authorised to sign cheques or make on-line payments to the value of up to £1,500. **No counter signature will be required**
- 3.4.3 The signing of cheques for amounts above £1,500 will normally be carried out by the Finance and Business Officer who will obtain a second signatory from one of the named people below. The Finance and Business Officer will also make on-line payments for amounts above £1,500 and will obtain the approval of another signatory e.g. the Chief Executive, or if unavailable one of the following:
 - Current Treasurer
 - Current Chairman
 - Current Vice Treasurer
 - A nominated Trustee
- 3.4.4 All invoices will be retrospectively countersigned by the Treasurer or Chief Executive.
- 3.4.5 The book keeping will be the responsibility of the Finance and Business Officer who will also be the main contact with and for the Accountant and the Bank Account.
- 3.4.6 The Treasurer and Chief Executive may also have editorial access to the Trust books and all Trustees have the right to inspect the books at any time.
- 3.4.7 BACS, on-line payments or Direct Debit will be used to pay regular bills. The Finance and Business Officer is responsible for ensuring these are paid under the same limits of authority as laid out in 3.4.3

3.5 EMPLOYMENT POLICY AND PAYROLL

- 3.5.1 The NBN Trust will pursue an active recruitment and selection process to assure the availability of qualified applicants to meet its employment needs. The NBN Trust will use a variety of different ways to secure staff time.
- 3.5.2 Members of staff housed in a founder member's office will be paid by the host organisation and reimbursed by the NBN Trust as per agreement.
- 3.5.3 When secondment is unobtainable or unsuitable NBN Trust will obtain staff time through direct employment. Office space and equipment will be obtained by one of the following:
 - (a) Loan from another organisation with some or no repayment of costs
 - (b) Hiring of premises and equipment within serviced offices
 - (c) The purchase of equipment where necessary
- 3.5.4 Payroll will be provided as a paid service by the organisation offering the premises or by one of the following methods:
 - (a) Outsourcing to a payroll organisation
 - (b) Through the NBN Trust's accountants or solicitors
 - (c) Running an NBN Trust payroll in-house
- 3.5.5 Please see full employment policy for further details
- 3.5.6 The NBN Trust will supply the contract of employment, terms and conditions and line management of the post.

3.6 BOOKKEEPING

- 3.6.1 The NBN Trust will keep all records and books necessary for the legal and effective running of the Trust business and charitable activities.
- 3.6.2 These records will be kept on a secure and reliable electronic system in the form Sage 50 Accounts Plus.

4 TAX AND VAT

Until the current VAT threshold for business activities is breached, the NBN Trust will not be seeking voluntary registration for VAT.

MODEL SYSTEM

5 PROCESSING INCOME - PAPER/AUDIT TRAIL

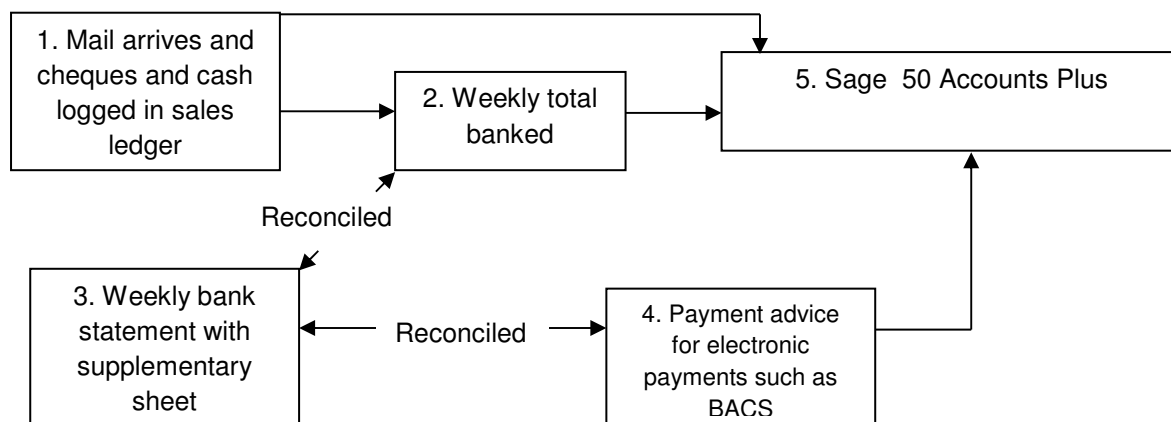
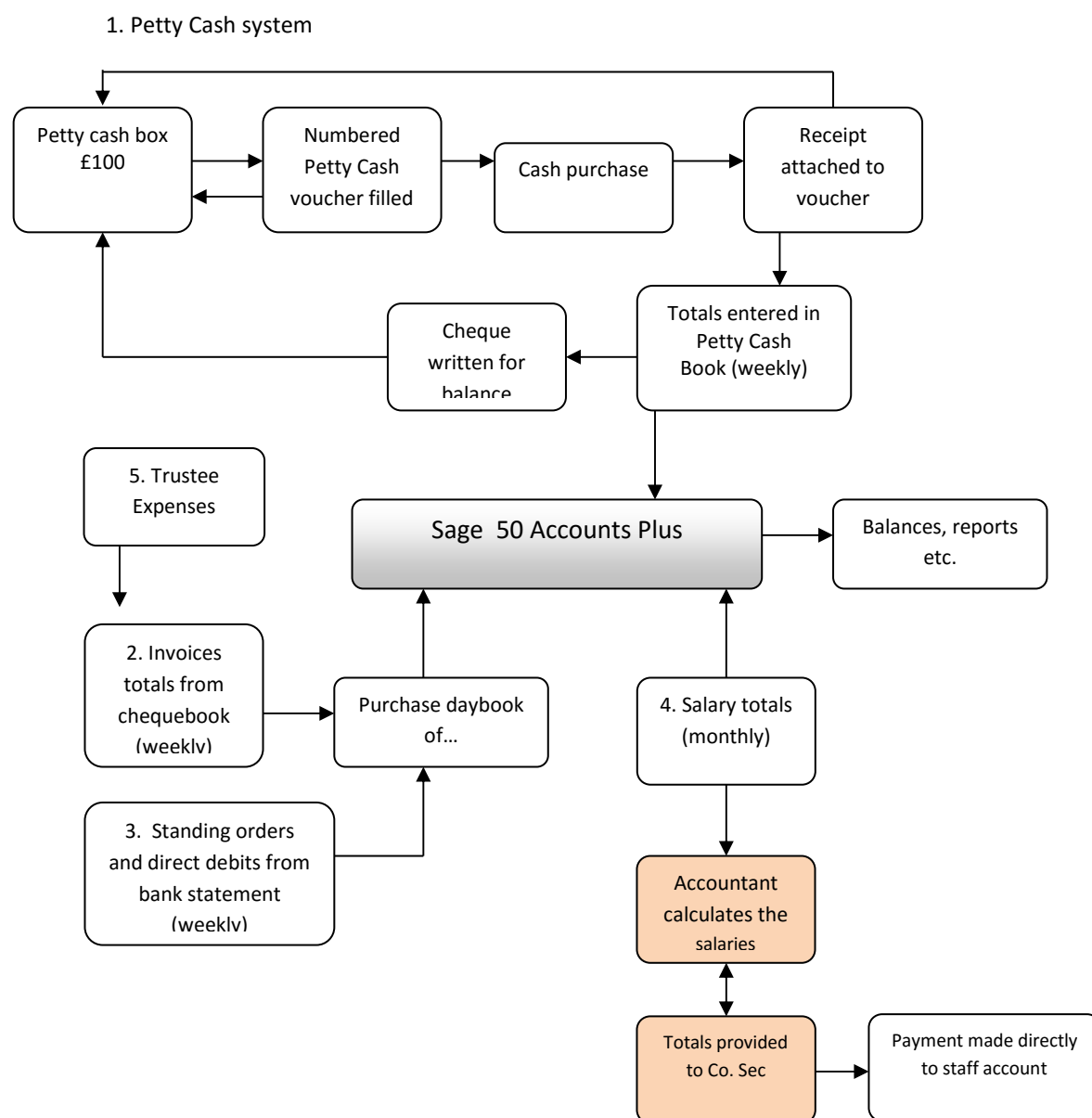


Fig 4: *paper trail for income payments*

1. Cheques arriving at the Trust office will be checked and signed by the Finance and Business Officer and recorded.
2. Depending on the amount of cheques that are received, the totals will be banked daily or weekly. The paying-in book stubs will be used to reconcile the amounts in the ledger. These will be kept for the audit.
3. Any payments that have been made electronically can be seen on the bank statement. Sometimes this is difficult to tell where the payment has come from so a supplementary sheet will be provided to outline this information. Bank statements will be reconciled and filed in a folder
4. With every electronic payment the payee will provide a payment advice. These will be entered in the ledger and reconciled with the bank statements. These advice sheets will be filed in a box file or folder.

6 PROCESSING EXPENDITURE - PAPER/AUDIT TRAIL

Fig 5: *Expenditure paper trail*

1. Petty cash system will be used for smaller purchases. There will be no more than £200 in the system. The cash, vouchers and receipts will be stored in a locked tin within a locked desk draw. When the petty cash needs to be replenished the vouchers and receipts will be removed and stored in a box file. The Trust will use the imprest system for recording petty cash purchases.
2. Invoices received for services and products will be filed and paid on a monthly basis by the Trust Treasurer, Chief Executive and Finance and Business Officer.
3. Standing orders and direct debits for regular payments will be taken from the bank statements and recorded in the purchase daybook of the software package.

4. Trustees wishing to claim expenses will be provided with an NBN Trust expense claim form. Travel and meals will be actuals, but overnight stays will be limited (please see the separate T&S policy). The form and the receipts kept in a box file. A cheque or on-line bank payment to reimburse the Trustees will be issued within the month. These totals will be entered into the purchase daybook from the chequebook as with invoices.

7 PURCHASE CONTROLS

7.1 Budgeted purchases

7.5 Signatories. The Chief Executive and/or Finance and Business Officer will normally be required to sign cheques and approve purchases for all transactions. There will be four or more signatories as outlined in section 3;

1. Invoice totals will be entered into the purchase daybook in the software package
2. Delivery note and all invoices will be marked with the date the goods/services were received, the signature of who checked the goods and any purchase order number.

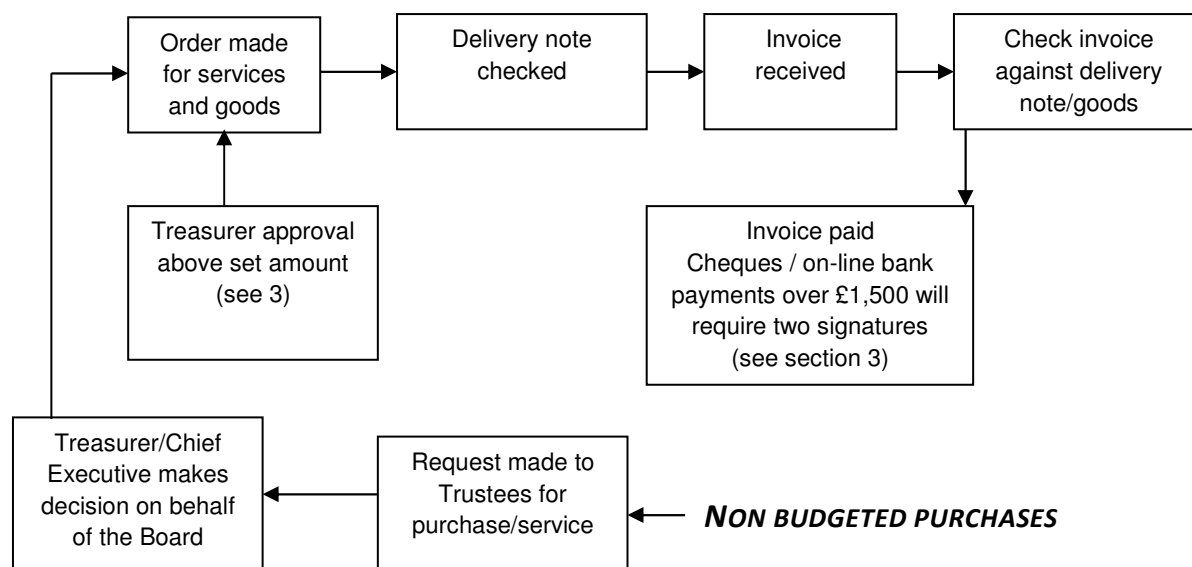


Fig 6: purchase controls

8 LEVELS OF DELEGATED AUTHORITY

	Power to Commit	Power to approve non-budgeted expenditure
Board/FMC	>£50,000	> £10,000 (per annum)
Chairman	£50,000	£10,000 (per annum)
Treasurer	£50,000	£10,000 (per annum)
Chief Executive	£50,000	£10,000 (per annum)
Finance and Business Officer	£10,000	£1500 (per transaction)
Senior Communications Officer	£2,500	
Communications Officer	£1,000	
Project Officers	£750	

9 ACCOUNT PREPARATION PROCESS

When preparing the accounts, provisions will be made for recording in-kind contributions (intangible income) from TWT and SNH and other organisations that intend to contribute in this way.

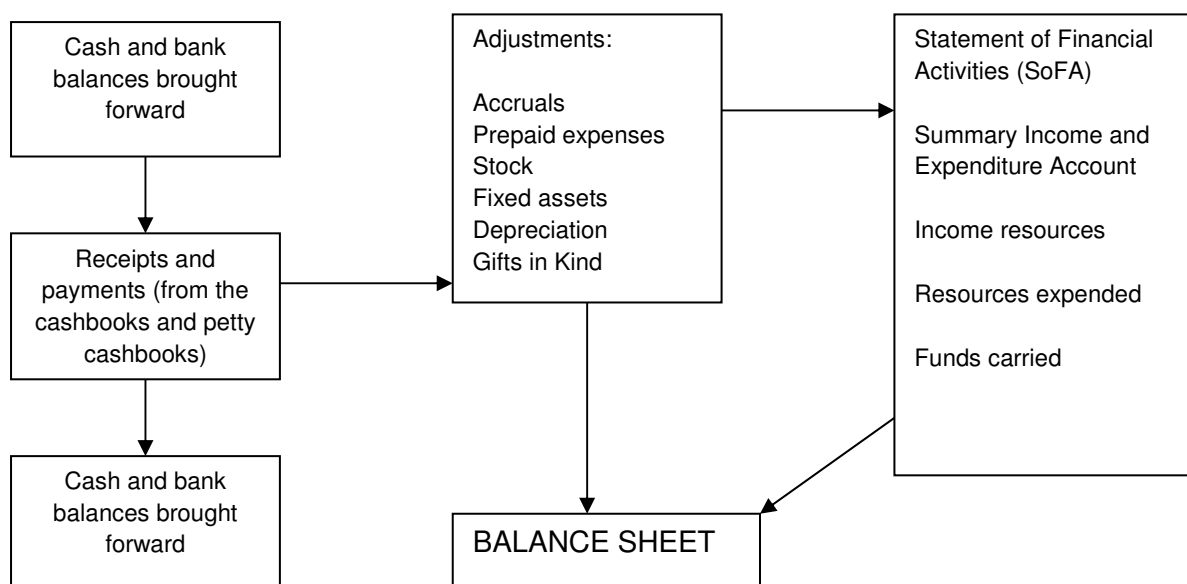


Fig 7: Preparing accounts flowchart

10 ACCOUNTANTS

The Trust accountants are:

Brooks Mayfield
Bridgford Road
West Bridgford
Nottingham
NG2 6AB

The Trust accountants will be responsible for:

- ❖ Helping to set up the NBN accounting systems
- ❖ Prepare end-of-year accounts
- ❖ Prepare the balance sheet
- ❖ Advise on tax and VAT matters
- ❖ Carrying out the external audit
- ❖ Payroll

11 RESERVES POLICY

The unrestricted funds not committed or invested in tangible fixed assets ('the free reserve') held by the charity will be the equivalent of 3 months running costs which at March 2016 is £56,000 plus staff

redundancy costs (see separate redundancy calculations paper for up to date figures). At this level, the management committee feels that they would be able to continue the current activities of the charity in the event of a significant drop in funding or loss of in-kind contribution for three months and:

- as a precaution against adverse economic conditions and any consequent decline in subscription income to permit the development of new programmes when opportunities arise
- to provide funds relating to the acquisition of a office accommodation which will become the permanent home of NBN Trust;
- to provide assurance to members of staff and to those with whom we undertake commitments of NBN Trust's reliability as an employer and business partner respectively
- to meet obligations under employment law for redundancy payments

In these circumstances and with these considerations in mind the trustees do not believe that there is any alternative to a policy of careful cash management and the build up of reserves

Reserves will either be held in the Trust reserve account with NatWest or transferred to appropriate low risk Charity Bond policies as these become available.

Reserve funds can also finance any short fall in cash flow. The Company Secretary will make a request to the Treasurer before its use.

12 FINANCE AND MANAGEMENT COMMITTEE – TERMS OF REFERENCE

The Finance and Management Committee shall be responsible to the Trustees through the Treasurer, for the proper conduct of all financial matters affecting the Trust. These include, *inter alia*.

1. Preparing the annual budget of the Trust for presentation to the Trustees
2. Liaising as necessary with the Trust's auditor and scrutinising the annual accounts prior to their submission to the Trustees for approval and eventual onward transmission to the Charity Commissioners and Companies House
3. To serve as the audit committee for internal and external audits and to respond to any concerns; reporting finding to Board
4. Overseeing all accounts and ensuring that they are kept in accordance with the appropriate regulations
5. Advising on financial policy generally and, in particular, assessing proposals made for funding any aspect of the Trust's work
6. Receiving the reports of the *ad hoc* Funding Group, assessing their advice and advising the Trustees of any action to be taken.
7. To advise to the Board of trustees on the maximisation and best protection of the Trust's assets.
8. Advise the board of trustees on insurance against damages. From time to time review and report on the companies finances, planned and actual

The Finance and Management Committee shall also be responsible to the Trustees through the Treasurer for the development and maintenance of the Trust's management systems. These include, *inter alia*

1. Overseeing the employment policy for the NBN Trust, ensuring employers responsibilities are met and to annually review salaries

2. Establishing and running a reporting process which allows the Trustees and sponsoring organisations such as external funders, to access NBN Trust performance against the overall work programme.
3. Advising the board on developing the business planning process to allow for adjustments to the work programme and on setting the goals and resources needed for expansion/development.
4. Preparing the content of the NBN Trust's Annual Report

The FMC will on occasion advise the directors of BioD Services Ltd

1.1 MEMBERSHIP

1. The treasurer of the NBN Trust, shall normally be the ex officio of the Committee
2. The Trustees shall appoint a minimum of **three** of their number annually to serve on the Finance and Management, other than the Chairman, and the Treasurer. In his/her unavoidable absence, the Treasurer shall nominate another member of the Finance and Management Committee to act in his stead, the name of the Acting Chairman to be conveyed to the members prior to any meeting.
3. The Trust's Chief Executive and Finance and Business Officer shall be in attendance at all meetings of the Finance and Management Committee and may participate in the discussion of any item and the Trust's Auditor and/or Accountant may attend by invitation.
4. The records of each meeting, prepared by the Finance and Business Officer, shall be scrutinised for accuracy by the Treasurer, or substitute chairman, before submission to the succeeding meeting or to the Trustees when required.
5. The necessary quorum to validate any business transacted by the Finance and Management Committee shall be *two*, (not including the Treasurer) although it is desirable that all members should be present when either the recommended budget is agreed or the annual financial report recommended to the Trustees.
6. There will be three meetings a year to take place one month before the Trustee Board meetings

1.2 PROPOSED ORDER OF BUSINESS FOR THE FINANCE AND MANAGEMENT COMMITTEE

1. Apologies for Absence
2. Minutes
3. Matters arising
4. Items of business from the Treasurer
5. Items of business from the Chief Executive
6. Date of next meeting