

MONEY!

**A guide to managing
your Group's money**



Scouts

Lonsdale

Your Group's money

Who needs a special guide about money? After all, most of us have lots of experience of money - we know what it looks like - we handle it daily - we could all do with some more of it - and we're experts at spending it! There's no doubt that money does make the world go around.

But this is a Scout Group guide to money and there's one big difference about Scout money - it doesn't belong to you any one person, but it does belong to everyone in your Group. Therefore, decisions about how you raise money, keep the money and spend it must be taken by more than one person. And all the time, you have a responsibility to account for every last penny. This guide explains the whole process.

Groups of different sizes will have different ways of working. A smaller Group is likely to be fairly informal and have few rules about spending and bookkeeping. A larger Group may well need more detailed procedures for handling money and keeping accounts. The important thing is that every Group makes clear decisions about its money.



Scout Group bank accounts

The Scout Association requires Groups to use bank accounts (POR Rule 3.50). There are currently no rules which affect your choice of bank, and Groups will normally use a bank which is convenient given the Group's location and similar issues. The Association itself currently use Barclays Bank.

A Group bank account is the best practical way to ensure that the activities of the Scout Group can be paid for and expenses reimbursed. A bank account held in the name of the Scout Group is appropriate; as it is forbidden for money to be held in the private bank accounts of individuals.

Many Groups keep separate bank accounts for each of their sections, while many others have just one account for the whole Group. This decision is left to the Group Executive Committee, as is the extent to which the funds of each particular section are ring-fenced. The Group Executive will need to find the correct balance between strong central control which is possible with a single bank account controlled by key Executive members, compared with the ease of operation where each section operates its own account.

If you do choose to have sectional accounts then they must be set up as official accounts of the Scout Group, (for example '1st Lonsdale Scout Group – Beavers'), with approval by the Group Executive. The bank must be made fully aware that the account belongs to the Group.

The payment of money into a sectional bank account fulfils the requirement of 'paying the money into the Group's bank account' (POR Rule 3.49). That would not be the case if an account is opened and run by an individual Leader.

POR does not specify who should be the bank signatories. Rule 3.50b states that the account(s) will be operated by the Group Treasurer and other persons authorised by the Group Executive Committee. If a Group holds separate accounts for its sections it will probably choose to have Leaders within each section as signatories, but it is important that an officer of the Group Executive Committee (Group Scout Leader, Chair, Treasurer or Secretary), is a signatory on every account held by the Group. This helps ensure that the Group Executive can deal directly with the bank if communication with the Leaders becomes difficult. If a Group operates sectional accounts the Group Treasurer should receive bank statements for all accounts.

Guidelines on opening an account

Most banks and building societies offer special accounts for small voluntary and community organisations and give free banking as long as your account is in credit. The conditions and benefits vary slightly from bank to bank - information on different accounts and what they offer can be found online and moneyfacts.co.uk/business/charity-account is a good guide.

Opening a bank account can take several weeks, or even a few months. Be careful to fill the application form in thoroughly and send all the information that is requested. This should be enough, but the bank may still write to ask for further details before opening the account.

You will be asked for proof that your Group is a voluntary, non-profit-making organisation and not a private business. Ensure that you make this clear or you will be treated as a small business and have to pay charges.

This could be one of the following:

- Copy of your Group's constitution
- Letter from the Chair and Secretary of your Group
- Copy of resolution passed at AGM authorising your Group to open an account with the bank
- Charity registration confirmation/trust deeds (if Group is a charity)

At least two people should sign each cheque or authorise online payments. You can have a pool of people who are named as 'signatories' for the account, any two of whom can sign cheques.

The signatories should be people with good credit ratings (i.e. no 'bad debts') as the banks will run credit checks on all the signatories. Unless they have an account with that bank already it will be necessary for them to go to the branch in person with:

- Proof of identity - e.g. driving licence, passport, child benefit book
- Proof of address - e.g. utilities bill, benefit book, tax demand.

Online banking

Policy, Organisation and Rules requires that, to safeguard charity funds from misuse, two signatures are needed to authorise any payment to a third party.

Internet banking needs to provide the electronic equivalent of this, i.e. dual secure logins to authorise transactions. The Charity Commission publication CC8 'Internal Financial Controls for Charities' section E4 includes guidance for charities on the use of electronic banking. Ask your bank what dual authority options they provide, and whether this involves additional charges. Although most banks do have products available which give dual authority control over payments, the charges are often too high to interest a Scout Group. CAF bank has a current account for charities which gives dual authorisation for electronic payments without extra costs, and other banks may offer similar services or could do so shortly.

The requirement for two signatures for any withdrawal exists to safeguard you as an individual, the Scout Group and Scouting in general. Members of the Group Executive Committee failing to operate the system correctly may (in their capacity as trustees), find themselves personally liable for any losses. A common cause of large embezzlements of Scout Group funds is trustees not using the two-signature system sensibly or honestly.

Top tips:

- Do not pre-date or post-date cheques or payments
- Ensure safe storage of all financial documents including cheque books (ensure all stubs are fully completed), and online banking cards etc.
- Do not sign a blank cheque
- Before making a payment, the invoice should always be shown so that the accuracy of the cheque/online payment is confirmed
- Arrange for monthly bank statements. These should be checked and reconciled against the account book so that any error is spotted quickly.



Group Responsibilities

Your Group is responsible to all its members for the money it receives and spends; every member (and their parents/guardians), have the right to know how the money has been used.

All members of your Group Executive Committee are responsible for deciding how funds will be raised and spent. It is not just the responsibility of the Treasurer even though they deal with the money day-to-day. With this in mind, the whole Committee should agree on spending decisions, apart from very small amounts which may be left to your Treasurer, Chair or Group Scout Leader's discretion (in line with your Groups expenditure policy).

Don't leave it all to the Treasurer...

The Treasurer deals with the Group's money on a day-to-day basis, but it's not their sole responsibility. Make sure there are regular financial reports at your meetings, and that everyone is paying attention to them! The whole Committee needs to know that your Group is not over-spending, and that the money is being spent wisely.

All the adults in the Group are responsible for dealing with the Group's money in a clear and organised way:

- always check with the Treasurer before spending any money
- always get a till receipt for any money spent on behalf of the Group
- always make a note when collecting money in, (record the amount, date, and what the money is for)

Record-keeping

Keeping good financial records will help you to make the best use of your Group's money. They will help you work out how much money the Group needs next year and then budget accordingly. Records help with fundraising; for example:

- If you apply for any grants, they will ask to see accounts as proof that the Group is well run and will use the grant properly
- If you are trying to decide whether to run a raffle or have a stall at a local fete then past records will show which raises the most money

Discussing the financial report

Make time at each of your Executive Committee meetings to discuss the financial report. Give everyone the opportunity to put questions to the Treasurer and the Committee.

A financial report should tell the story of what's happened in the Group's finances since the last meeting and how things are going overall. The same is true of the annual accounts which should tell the story of the year.

You don't have to stick to a list of figures – it can help members if your Treasurer also includes some written or verbal explanations of the key points.

Funds

The amount of money that your Group should keep in its account depends on your precise circumstances. You will need enough for day-to-day running costs, along with the repair and replacement of equipment and a little extra for a rainy day. This will vary from Group to Group and from year to year.

You may also be holding funds that you have been raising towards a special trip or capital project. There is no limit on the amount of fundraising that you can do, but bear in mind that the Charity Commission would not be happy if the Group was holding a large amount of money that it could not use in the pursuance of the charity's aims.

Financial policies

The Charity Commission requires all charities, including Scout Groups, to have formal policies, which have been agreed by the Group trustees (Group Executive Committee).

There should be a policy for:

- expenses
- reserves
- investment
- risk

For many Scout Groups these are likely to exist already and to have been previously agreed by the Group Executive Committee. If no policies currently exist, then it is a good idea to draw one-up. You can easily do this using our templates which are available in the members area of our website lonsdalescouts.org.uk (coming soon) and get them agreed by your Group Executive Committee.

You may choose to include additional information, where relevant, about:

- the Group's principal sources of funds (including any fundraising);
- investment policy and objectives

Sample Reserves Policy

The Group's policy on reserves is to hold sufficient resources to continue the charitable activities of the Group should income and fundraising activities fall short. The Group executive Committee considers that the Group should hold a sum equivalent to XX months running costs, circa £X.XX.

The Group held reserves of approximately £X.XX against this at year end. This is above the level/below required for operating expenses. However, this can be explained by

Investment Policy (Specimen 1)

The Group's income and expenditure is very small and as a consequence does not have sufficient funds to invest in longer term investments such as stocks and shares. The Group has therefore adopted a low risk strategy to the investment of its funds. All funds are held in cash using only mainstream banks or building societies.

The Group executive regularly monitors the levels of bank balances and the interest rates received to ensure the Group obtains maximum value and income from its banking arrangements. Occasionally this may involve using an account that requires a period of notice before funds may be withdrawn, before doing so the Group Executive considers the cash flow requirements.

Investment Policy (Specimen 2)

The Group does not have sufficient funds to invest in longer term investments. The Group has therefore adopted a risk averse strategy to the investment of its funds. All funds are held in cash using only mainstream banks or building societies.

Restricted and unrestricted income

Charity law requires charities to distinguish, in their accounting records, between restricted and unrestricted income and expenditure.

Restricted income is where a donor gives money for a specific purpose. For example, if you receive a donation of £1,000 to take the cub pack on a weekend camping trip, the funds will be restricted for this specific purpose. In accepting this income, you agree under trust law to spend it in accordance with the restriction. Restricted expenditure is any money spent in accordance with the terms of restricted income; in the above example that would mean spending the £1,000 on the cub Scout camping trip (including costs related to the trip such as transport).

Unrestricted income and expenditure are any funds that do not have such a restriction

Investing funds

Funds not immediately required should be transferred into a suitable investment account held in the name of the Group.

This is so that Scouting can benefit from any interest which can be earned. Remember to ensure that the account is designed for a charity so that unnecessary tax is not paid.

If the sums involved are large or the investment period is likely to be long you should take advice from an authorised financial adviser.

The Financial Services Compensation Scheme (FCSC) offers full compensation up to £85,000 (as of 31/12/2010) for savings held with authorised institutions. This compensation scheme applies to individuals and small businesses including charities.

A model financial policy can be found on our Executive Committee support pages at lonsdalescouts.org.uk/Executive-Committee-toolkit



Establishing a financial policy

A financial policy is not a legal document. It is an agreed set of principles and guidelines for the operation and use of your Group funds. A policy expresses how your Group goes about its work and how it conducts its finances. All policies include procedures which are the steps for carrying out the policy.

Good policies express a fair and sensible way of dealing with issues. While they can be changed, no organisation should change its policies too often as they are intended to guide the work of your Group for a reasonable length of time. Once a policy becomes Group practice, and has been approved by the Group Executive Committee, it is binding on everyone in the Group.

A good financial policy:

- Is fair
- Meets legal requirements
- Is comprehensive (covers all likely situations)
- Is realistic and can be implemented
- Is affordable.

If your Group is small, you will probably work fairly informally and there some areas of our model policy may well be inappropriate. 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 our model policy as basic guidelines to draw up rules which are appropriate and useful for your Group.

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.

Your Group Executive Committee will need to decide details such as:

- the sort of financial records you will keep – account book, section petty cash book, etc,
- your bank society accounts, and the signatories,
- how you will deal with section cash and the amount of the float they hold,
- 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, up to what amount of money?
- 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 Group Executive Committee, and whether the Committee requires verbal or written reports,

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

Paying expenses

Expecting the Leaders and supporters in your Group to cover their own expenses could be a barrier to people with low incomes or little spare cash and not reimbursing expenses could also deter people who feel that they are already making a significant contribution of their time.

Refunding volunteer expenses is a legitimate financial element of any volunteer programme, so Groups should take account of potential volunteer expenses in funding applications and budgets.

Which expenses should be reimbursed?

In general, any reasonable expense incurred as part of volunteering with your Groups activities should be reimbursed. This includes but is not limited to:

- day to day expenditure incurred in running the weekly section meetings,
- Programme costs,
- administration costs such as postage, phone calls and stationery,
- Adult training.

If feasible you should also consider reimbursing or contributing towards:

- travel, including to and from your meeting place,
- key uniform items (shirt, trousers or skirt & belt)

What is 'reasonable'?

Some expenses will be necessary and have a set cost, such as uniform and stationery. However, it may be worth considering buying these items centrally and distributing them to volunteers if possible.

For expenses such as meals and refreshments on Group outings and activities, it may be useful to set a limit. Many organisations do this so it's worth checking to see what others in your area do.

In all cases, it's important to ensure that the adults in your Group are aware of the rules about expenses to insure they don't incur unnecessary costs

How to reimburse expenses

The process of reimbursing expenses should be based on a single, simple principle only reimburse actual out-of-pocket expenses. This means your that your team need to submit receipts that show what they have had to spend as a volunteer that they otherwise wouldn't have.

Be volunteer friendly

- Be clear about what expenses will and won't be reimbursed.
- Be clear about limits on the amount that can be claimed for expenses such as refreshments.
- Try to reimburse expenses as soon as possible.
- Try and reimburse by bank transfer rather than by cheque as this can often be inconvenient and delay payment.
- It's okay to provide expenses payments in advance, as long as receipts are provided once the money has been spent and any remainder is returned (this can be particularly helpful for volunteers with a low income who may find it difficult to cover expenses upfront.)
- Develop a simple expense claim form, (a sample can be found in our expenses policy document template lonsdalescouts.org.uk/Executive-Committee-toolkit).

Encourage everyone to claim expenses

Some people may feel that they do not need or even should not be offered expenses payments. However, ensuring everyone claims expenses helps your Group to determine the full cost of running your Group over the year. This will help in forecasting and budgets and applying for any funding. If a member of your team really doesn't want to have their expenses reimbursed it is possible to set up a scheme whereby they donate these unclaimed expenses back to the Group or organisation along with gift aid

Honoraria

Some organisations try to avoid problems by referring to payments to volunteers as 'honoraria', a payment that is given in return for professional services that are provided without charge.

However, an honorarium is usually an unexpected, one-off payment made as an expression of thanks. Where an honorarium is paid regularly or expected, then it will usually count as earnings and is therefore taxable.

Internet use

If a member of your Group has to buy an Internet connection to carry out their role, that's clearly an expense and can be reimbursed. However, if they already have a connection and don't have to pay any additional costs there is nothing to reimburse. If usage is itemised it can be reimbursed.

Telephones

If a member of your Group already has a telephone calling plan and uses some of the included minutes in the course of their volunteering, but doesn't exceed those minutes, the volunteer has incurred no additional expense as a result of their volunteering so there is nothing to reimburse. If the included minutes are exceeded and an additional cost is incurred

by the volunteer, again only costs that are clearly a result of the volunteering should be reimbursed. So if the cost of the calls is itemised it can be reimbursed, but if they aren't itemised it's not possible to show that it was the calls related to the volunteering that took the volunteer over their included minutes.

Travel by public transport

It is reasonable to ask people to travel by the cheapest form of public transport. If they are using an Oyster Card or similar pre-pay travel card, they will need to request a receipt from a travel centre or print the details via an online system if available.

Travel by taxi

You should bear in mind that it may sometimes be necessary for members of your Group to use taxis, particularly if they have a disability or work or need to transport equipment.

Travel by personal vehicle

As a guide the HMRC sets approved mileage allowance payment rates for the reimbursement of driving expenses. These are the maximum allowable payments free of tax and national insurance contributions.

As of 17 December 2017, this is:

For the first 10,000 miles (16,090km), per year, cars and vans are eligible for 45p per mile. From there, travel is at a rate of 25p per mile. For motorcycles and bikes, the rates are the same for all travel — it's always 24p for motorcycles and 20p for bicycles.

These approved rates do not place an obligation on a Group to reimburse expenses at those rates. They are simply the amount a volunteer can be reimbursed before the payments are liable for tax.

Passenger payments

HMRC also states that volunteers can also claim an additional 5p per mile for each passenger they carry in relation to their volunteering role. Again, your Group is under no obligation to make this payment.

Standard expense rates

When setting your expenses rates, you should consider using the District expense rates as a guide. Whilst your Group is not required to use these rates; we recommend that your Group's expense rate should not be higher than the published District rates. Any rates used should be agreed by your Group Executive Committee.

Budgeting your income & expenditure

Just before the beginning of each financial year the Treasurer, working with the Group Scout Leader, should ask the Leaders in the Group to set out their ideas of events and activities

that they are planning to hold for their section with their rough costings as well as items of expenditure that might be required for the coming year. This can then be matched against likely income from subscriptions and events so a budget can be prepared. This will help map out everyone's plans and ensure that the Group will not be faced with the situation of having to say that there are not enough funds in the bank to pay the bills.

A budget for a fundraising application may not be the same as your Group's annual budget. If you are applying for a specific project (rather than a grant towards your overall work), the funder may ask for a project budget only. We look at project budgets later in this section.

A budget is always an internal document for your own Group's use. You will not be held to it by a funder or some other outside body. In the section 'Using the budget' we look briefly at what to do if your financial circumstances change and you have to change your plans and budget accordingly.

Preparing a budget

There is nothing mysterious about writing a budget. It is like writing a shopping list, together with the cost of each item. You must then work out where you will get the money to pay for it all.

Writing a budget should be part of the process of planning your Group's work. In order to write a realistic budget, you must have a fairly clear idea of your Group's activities in the year ahead. The best way is to hold a meeting and discuss what you want to do. Your Treasurer will then be in a position to prepare a draft budget for the Group Executive Committee to look at.

Step one – items of expenditure

Write a list of all the items which you are likely to need to pay for, known as expenditure headings. It is important to list all the 'hidden' costs of your activities (the overheads).

Revenue items are all the day-to-day items, sometimes referred to as running costs. These include rent, postage and refreshments. If you plan to run an event where you will have both costs and income, you should show the event as both an item of expenditure and an item of income – do not include the net figure alone. A typical event of this type would be a fun day or coach outing.

Step two – costs

Estimate the cost of each item of expenditure and be as realistic as you can. Sometimes it can be difficult to work out costs, but don't just guess. It will help to talk to people in other Groups and look in shops or suppliers' catalogues. For larger pieces of equipment, contact 2 or 3 companies and ask for quotes.

Think through your activities carefully - what will you have to pay for when you hold a meeting or organise an outing? That way you are less likely to forget something important.

If you are basing a lot of your expenditure of previous years remember to increase them in line with inflation. You should still think carefully when writing a later budget to make sure that it reflects what you plan to do. Your Group's activities are not identical from year to year, so don't just copy your budget! It is important to keep notes of how you arrive at your figures. For example, note down that 'hall hire' is a known cost based on 26 weeks or that the figure for 'telephone' is a rough estimate based on another Group's bills. That way you will be able to explain your figures to the Group or easily check them.

Typical expenses will be:

- annual membership subscription payment to the District
- activity expenses for the sections (which may be handled by sectional Treasurers)
- subsidy of major events
- expenses to Leaders and supporters
- training fees
- insurance
- purchases of equipment
- meeting arrangements and their associated costs (i.e. AGM costs)
- rent, if you use other people's premises, or the costs of running your own Headquarters, which might include:

- rates
- insurance
- gas and electricity
- water
- maintenance and/or improvements
- cleaning
- ground rent

Step three – income

Make a list of all the likely sources of money and estimate realistically how much you will get from each of them. Your main source of income could likely to be from weekly membership subscriptions. Again, keep notes of how you arrive at your figures. It is particularly important to note the date when grants (and other large sums of money) are expected – unless you plan well, you may not have enough money at a particular moment if the grant has not yet come, even though your budget shows enough income for the year.

Typical sources of income will be:

- membership
- fundraising
- grants
- donations
- sponsorship
- interest on investments

- gift aid
- hiring/leasing property

If you are waiting to hear the result of grant application, you can show the grant in the budget, but you should mark it 'unconfirmed'. However, if you have little hope or do not know if you will get the grant, do not show it in the budget. Make a note of any grant applications that are not included.

Sometimes you will plan to use money which you already have in the bank. For example, you may have received a grant before the start of the budget year (a grant in advance) or a grant may spread across 2 of your financial years.

Or, you may have been deliberately building up reserves in order to fund work in the budget year. All you need to do is to include the amount in your budget, just like any other income item, headed 'Grant in advance from (name of funder)' or 'Drawn from reserves'.

Remember to include when income is likely to be received and when outgoings are likely to occur. It is no good having a budget which balances out by the end of the year if you have been in the red for much of the period.

Step four – balancing the budget

Show your estimates to other people in your Group to try and ensure that they are accurate, and nothing is missing. If you are fortunate, you will have a balanced budget – your estimated income will be the same as your planned expenditure. If you are even more fortunate, you will be anticipating more income than you need – a surplus. If this is the case, you can include an expenditure item 'Surplus transferred to reserves' in order to balance the budget.

Unfortunately, all too often, Groups find that they just do not know where they will get all the money which they need – a deficit. When this happens, you should at this stage show the deficit in your draft budget.

Step five – approving the budget

Once complete the annual budget should be presented and approved by the Group Executive Committee. It is important to accept that it is the Group Scouters' meeting which decides both the programme for the young people and the need for equipment. The role of the Executive Committee is to resource the needs. If the needs are beyond the resources available, it must be the Group Scouters' meeting and not the Executive Committee which decides the programme and equipment priorities

Make sure you draw the Committee members attention to unconfirmed grants – the Group will need to assess whether you are likely to get the grants.

If you have a deficit budget, the Group Scouters in conjunction with the Group Executive Committee will have to decide whether to scale down the activities or whether more fundraising is realistic. You should not balance the budget by writing in 'other fundraising'

unless you genuinely believe you can raise the money. It is far better to start the year with a realistic budget and plan of activities. If you manage to raise more than you first expected, you can always increase your activities during the year. But if you start the year spending unrealistically, you will soon be in trouble.

The budget must be formally approved by the Executive Committee. If the Committee suggests only minor changes to the draft budget, the meeting can approve it there and then. But if the Group ask for lots of minor changes or a really major one, you may need to rewrite the budget and take it to a later meeting for approval. The budget which you finally approve must balance.

Using the budget

Keeping track of your finances At least every quarter, the Treasurer should present a finance report to the Group Executive Committee. This should show the actual income and expenditure to date, including unpaid bills, and compare those figures with the budget. This will help you assess whether your finances for the year are on track.

If there is a major difference between the budget and the actual figures, you may need to adjust your plans. For example, if income is much lower than forecast, you should consider where to make savings; if some costly activities have not taken place, you will have money available to spend elsewhere.

You should only alter the budget during the year to take account of major differences. And remember: this can only be done by a meeting of your Group Executive Committee.

Fundraising applications

If you are applying for funding for your Group as a whole, you can send a copy of the annual budget to the funder.

In the case of a specific project, the costs of the project will be included in your annual budget expenditure but the funder may ask for a project budget only. Most project funders will ask for your Group's overall budget in order to satisfy themselves that your Group is able to run the project. They will want to see that your Group as a whole has a clear plan of activities and a balanced budget.

It is very important to show clearly in your overall budget which costs will be met by a grant for a project and which by general income. Remember that if you receive funding for a specific project, you will be able to use the grant to pay only for the costs of the project itself. You will not be able to use the money for the general costs of your Group or for another project. This is also true of a grant for capital equipment. Think carefully about what you will actually have to do to run the project and include these costs in the budget. If you do not claim them in the grant, you will end up subsidising the project out of your general funds – this will force you to cut back other planned activities.

Checking that the grant matches your budget:

- The grant award letter or 'conditions of grant' form from the funder will spell out what the money is to be used for.
- If you have been awarded the full amount, the grant is most likely to pay for the project as described in your application – but always check the details.
- If the grant is less than you applied for, check what the grant covers and amend your overall budget at the next meeting, if necessary.
- If the funder gives grants only to registered charities, grants for projects or capital equipment will be classed as restricted funding

Funds and collecting money In –

A guide for section Leaders

Receiving money

All cash received at weekly meetings needs to be recorded by the Leaders in the section and a cash receipts record book should be maintained. Best practice dictates that receipts should be provided to parents/guardians, sponsors, etc. The cash collected, together with the summary information, must be provided to the Group Treasurer on a regular timely basis to be paid into the relevant Group bank account on receipt.

You may need to hold cash briefly so a good solid cash box will ensure that there is no risk of Group and personal money becoming mixed up.

Always issue a receipt (and keep a copy). Your copy will act as a point of reference should you or others need to raise a query. Include sufficient details on the receipt or accompanying documents so that at the end of the year checks can be made easily. Include the receipt number against the bookkeeping entry.

Collecting money in for day trips, camps and membership subscriptions and keeping an accurate record of it all can be a logistical nightmare, but if you follow these simple steps it will become a much simpler task...

Remember – all monies you might handle are not yours but belong to someone else!

Dos •

Buy an account ledger book or start an Excel spreadsheet and keep a page for each event you expect to receive money for, that way you simply need to place a tick next to someone's name, to say that they have paid. Keep you accounts up to date according to your Treasurer's requirements

- Use money you receive only for the purpose it has been entrusted to you for
- Use your Group Treasurer and pay money into him/her as soon as possible after you receive it
- Produce a finalised account for every activity you run

Don'ts

- Put any monies into your or anyone else's personal bank account
- Spend money thoughtlessly
- Leave large sums of money collected in hang around your meeting place or at home
- Make flippant remarks about money in front of others

Collecting annual membership fees

The Scout Association carries out an annual registration and census in January. It does so in order to establish the number of young people and adults in Scouting – by section, Group, district and county. The numbers identified in the census are used as the basis for the renewal of the Group's registration and payments of the annual membership fee.

Scout Groups are required to pay the annual membership fee which, is normally during March. There may be a discount for prompt payment. In addition to the national membership subscription there may traditionally be a levy charge by both the district and county to cover the costs of the support they provide.

There are a few different methods that Groups across the District use to collect/raise this: these include:

- part of a regular (weekly, monthly or termly) subscription paid by members
- paid annually by members
- raised as part of general Group fundraising

The key point to remember is that the money must be paid to secure membership of The Scout Association and the corresponding benefits, such as insurance, for the coming year.

Making payments & cash handling

Your Group Treasurer is responsible for all payments required to run the Group. However, these must be authorised by the Group Executive Committee (or on their delegated authority). Some will be easy to fulfil as these may be regular payments to statutory authorities. Others may be to reimburse Leaders for expenses incurred or to facilitate an activity that has been organised. Payments will usually be made by cheque against a supporting document. This may be a bill, receipt or letter. Cash payments should be discouraged as payments through the bank account are a great deal easier to track. If you do need to make a cash payment always get a signed receipt.

It is good practice to number each payment document and enter the number against the entry in the account book, spreadsheet or accounting package. Keep all the documents in order; sorting them by month can be useful. Remember that at the end of the year any audit/scrutiny of the accounts is going to go through all the paperwork.

Ensuring that floats held by others are properly accounted for

Floats held by others will make the Treasurer's job more complicated. They will, however, be unavoidable unless your Treasurer is going to be available at every section meeting to receive and pay out money.

Each of the sections is likely to operate a float (petty cash system). They will use this to take in from the young people in membership subscriptions and to pay out routine activity expenses. This could be a cash or payment card system.

The Group Treasurer should make arrangements to collect funds not immediately required for the running of the section. Doing this roughly monthly is sensible, more frequently if there is a big intake of money (e.g. after a big fundraising event).

Each float holder is responsible for keeping proper records which will be inspected and counted and must be produced at the request of the Group Treasurer. They should be inspected and counted at least once during each three- month period.

It is a mistake to believe that because the sums involved in petty cash accounting are frequently small, petty cash is less in need of thoroughness than other accounting practice. All money that your Group handles should be accounted for in a responsible way.

Confusion sometimes arises over the distinction between cash and petty cash:

- Cash is money received in the form of coins and notes. It should be paid into the bank and recorded in the account book in the same way as cheques
- Petty cash is a float system which is used to pay small expenses. The petty cash book is where these payments are recorded.



Imprest system

The system that many organisations use is to withdraw money from the bank and keep it in a petty cash box. As and when necessary payments are made until the fund is run down. Then some more money is withdrawn from the bank.

This method is adequate, but it is difficult to know exactly how much money should be in the petty cash fund at any one time. And it's easy to become too relaxed about accounting, particularly when it comes to filling in the petty cash book and keeping a proper filing system for petty cash vouchers.

The imprest system, is a flexibly way to handle week-by-week expenses for sections. By using a tightly controlled float of a specified sum, you can make accounting far easier and mistakes less likely. But it needs to be backed up with a strong set of rules.

Here is a seven-step guide to running an imprest system:

Step one

Decide on the appropriate amount for your float - say £100 - and withdraw that sum from the bank by cashing a cheque. The cheque details should be entered in the Group's account book in a column called "Petty cash".

Step two

Put the cash in your petty cash box and enter it in your petty cash book on the receipts side. Only one person should operate the petty cash system at any one time, and they are the only person who should have access to the box. When the petty cash system is handed over from one person to another, it should be done in front of a witness and the amount of cash and the amounts for vouchers should be written up in the petty cash book.

Step three

Any money paid out should be replaced with a petty cash voucher made out to that amount. The voucher should be placed in your petty cash box. There should then always be £100 worth of cash and Petty cash vouchers in the box. Receipts should always be obtained for petty cash claims, and the receipts should be stapled to petty cash vouchers. Of course, with the best will in the world, receipts are not always available. In this instance an explanation as to why a receipt isn't available should be written on the back of the Petty cash voucher. All petty cash vouchers should be signed and then authorised by someone else. The person making the claim should never be the person that authorises it!

Step four

Top-up the float when you are likely to be near the point of exhausting your petty cash fund. In your petty cash book record details of payments. The total of these payments is the amount that you withdraw from the bank to restore your float to £100. If, for example, your payments come to £76.91, there should be £23.09 in your Petty cash box. All you have to do is withdraw £76.91 to restore your float to £100.

Step five

The Petty cash book should be written up on a regular basis, ideally every time you draw more money from the bank for your petty cash fund. For large petty cash funds you should write up the book on a more frequently - this should make you question whether to hold large sums as Petty cash.

Step six

Petty cash vouchers, with receipts, should be filed in date order. It helps to number the vouchers and put a corresponding number against that item of expenditure in the petty cash Book. It is important that vouchers are kept as they will be needed when you prepare your accounts.

Step seven

For the purpose of your accounts, on the last day of the financial year the petty cash should be counted in front of a witness and a signed certificate for that amount should be made out or the petty cash book should be signed.

One off events

For one-off events like AGMs and day trips it is often better to establish a float separate from your general petty cash fund. Withdraw the money from the bank, recording the details in a column of your Group account book.

The reason for having a separate float is that it is often difficult to follow petty cash rules to the letter during one-off events - and this can seriously disrupt what had been a well-run petty cash system. It may, for instance, not be possible to get receipts for many small items of expenditure. You should make a note of all expenditure on petty cash vouchers; and try not to put off doing this!

Put the vouchers into a file and keep them for your accounts. Unspent money should be paid back into the bank - not put into the petty cash box!

Is petty cash compulsory?

Certainly not, paying by cheque or BACs payment is frequently easier to do and far easier to account for. Don't run a petty cash system for its own sake. If you can make all your payments by cheque/BACs, do so!

Gift Aid

Gift aid is a simple government initiative which allows you to increase the value of your donations at no extra cost to you. HM Revenue and Customs regards membership subscriptions as 'donations'. Therefore, your Group can claim gift aid on these. You can also get gift aid on money donated for sponsored events. Gift aid is not available on camp or trips fees because the benefit to the 'donor' is regarded as too high to qualify for the scheme.

For every pound donated you can claim 25p from HM Revenue and Customs, helping your donations go further.

In real terms, this means that if a Group had 50 members, paying £105 per year, it would give them a total annual income of £5,250. Assuming all of the parents/guardians are taxpayers then the potential gift aid is around £1,312.05 per year.

If you have not claimed Gift Aid before, your Group must be registered with HM Revenue and Customs. Further information about this can be found [here](#)

You are entitled to claim back the previous four years of contributions. Using the example above, this could give you a one-off payment of £5,248.20!

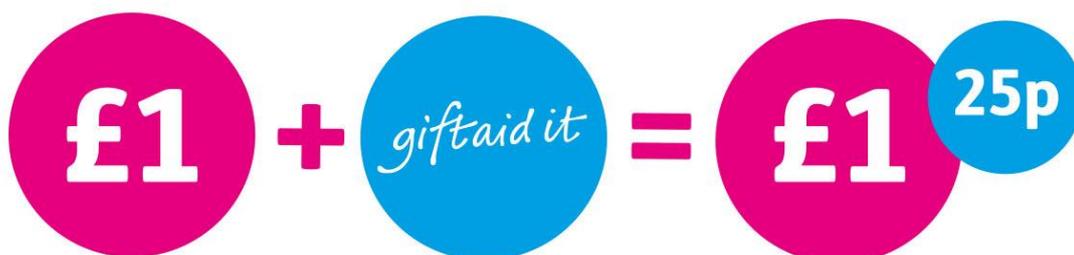
In the past it has been found that many Groups will spend a great deal of time on a grant application with no guarantee of a return. Gift aid does not take anywhere near the amount of time to administer as a standard grant application, and income is guaranteed, yet not everyone is doing it.

Gift Aid small donations scheme

Scout Groups can claim Gift Aid on donations (e.g. bag packs and donation buckets etc.) under the Gift aid small donations scheme (where the collection took place after 6th April 2017), please visit gov.uk/claim-giftaid/small-donations-scheme for more information.

(also see gov.uk/government/publications/charities-detailed-guidance-notes/chapter-8-the-gift-aid-smallldonations-scheme)

For lots more information and guidance on claiming gift aid visit <https://www.scouts.org.uk/about-us/support-scouts/gift-aid/>



Online giving

There are a number of online portals you can use to collect donations (including membership subscriptions) which can help relieve administration, attract new donors and also help you to collect gift aid.

VAT and direct tax

It is a common misconception that charities, including Scout Groups, do not pay tax. However, this is not the case. A Scout Group could be liable to pay both VAT and direct tax, depending on the size and type of income, costs and the specific circumstance the Group faces.

Some of the VAT and direct tax rules can be complex and separate guidance can be found in appendix 1 of this guide.

As a general rule Scout Groups will not have a large enough income to be VAT registered. This means it is unlikely they will ever be able to reclaim VAT expended.

Investment income

Scout charities are exempt from UK tax on most types of investment income, including income from investments made overseas, as long as the income is used for charitable purposes only. This includes interest and dividend income as well as rents received.

Trading

Any profits that your Group makes from trading activities - selling goods and services to customers, including members – may be taxable. However, there are some important exemptions: A 'primary purpose' trading exemption, where a charity carries on a trade as a means of fulfilling its charitable objectives the surpluses are exempt from tax. Charging members to participate in activities and trips could be classed as 'trading', but if surpluses arise, they are exempt from tax under the 'primary purpose' trading exemption. This exemption extends to trading, which is ancillary to our charitable objectives, including things such as the sale of uniform items. This exemption will cover the majority of regular Scouting activities. More information is available on the HMRC website



Annual accounts

As the title implies, the Treasurer is required to produce an annual statement of accounts for the financial year. The first page can be a simple income and expenditure account shown in a column form with a resulting surplus and deficit. The second page can be a simple balance sheet showing reserves brought forward, adding the year's surplus or deficit and balancing this with the year end monies held at the bank.

The account can be made much more informative by having the previous year's numbers as a comparison, as well as further detail about income and expenditure from various activities. Miscellaneous income and expenditure should be kept to a low number as it can hide a wide variety of items. The balance sheet may need to include a property value (maybe an expert valuer needs to be consulted) as well as a value for equipment (this is normally cost but needs to be written down annually via a depreciation charge). The accounts could be supplemented with a written statement highlighting various numbers. These accounts need to be checked by an independent auditor (see below).

Further guidance on preparing annual accounts, including specimen accounts, can be found at <https://www.lonsdalescouts.org.uk/finance-grants/>

Scrutiny, independent examination or audit of accounts

Both the Charities Act and POR detail the minimum requirements for the scrutiny, independent examination or audit of accounts.

It is no longer sufficient to rely on a friend or someone from work looking over your accounts. There are specific requirements based on levels of turnover which in some cases actually specify the qualifications required.

Do ask; you may find that there is someone connected to the Group who is qualified to carry out this task. Remember that they will need to be sufficiently independent. Independence means that the examiner is not influenced, or perceived to be, by either close personal relationships with the trustees of the charity or by a day-to-day involvement in the administration of the charity being examined.

It is easy to recognise that a Leader or Group Executive Committee member is not independent, but sometimes less obvious that the spouse or close relative of a Leader is not sufficiently independent.

If your Scout Group is struggling to find an independent person to examine your accounts, you may wish to contact the local office of BDO, the association's auditors, to see if they can recommend anyone. Contact details for your local office can be found at www.bdo.uk.com/find-a-partner

The Scout association has no set rules about when the financial year end must be. The Association's own financial year runs from April to March.

For further guidance see the factsheet Guidance on the Accounting and Audit Requirements for Groups, Districts, Counties/Areas and Scottish Regions (Information sheet number LT103950), is available to download from southlondonScouts.org.uk/Executive-Committee-toolkit

How to avoid a muddle

There are certain problems which crop up time and time again in the way that Groups look after their money. Some are fairly minor but could still mean that you get in a financial muddle. Others are far more serious and could end up preventing your Group from doing the work it was set up to do. Try to avoid all of these!

Don't

- leave the Treasurer to get on with it alone, only showing an interest when something goes wrong; this is worrying for the Treasurer and also means that your Group will not make the best use of its money
- keep members of the Group in the dark about the financial position
- use a debit card to routinely withdraw cash from an ATM; this is a recipe for losing track of how much is going out of the account and it may leave you open to suspicion of theft or fraud
- draw cash direct from a deposit account to spend straightaway; it may get forgotten if it isn't transferred to the current account and withdrawn by cheque.

Do

- keep detailed financial records
- spend money only on things that have been agreed by the Committee
- fill in the cheque stub when you write a cheque, with the amount, payee and the date
- make sure you record both the cash received and the cash spent, when you buy things with cash which you've taken in, e.g. for a coffee morning
- make sure that anyone who receives or spends money knows how to keep track of it properly; this applies to everyone in your Group, and not only the Committee
- keep cash received separate from the petty cash float
- make sure that if you have more than one bank account, records are kept for both and reports are made on both
- make sure you can give funders a detailed account of how you spent their grant

The policy, organisation and rules of the Scout association

The Policy, Organisation and Rules of The Scout Association is referred to as POR. It is updated at least once a year and contains the rules and policies of The Scout Association, as well as explains as simply as possible how the structure of Scouting is organised.

The rules can appear complex in some areas so you should not be afraid to ask your district Treasurer or other Group Treasurers for further information and advice.

Members of your Group Executive Committee are responsible for ensuring that the Group is working within these guidelines and in accordance with the key policies of the Association

They are designed with the benefit of a great deal of experience to ensure Scouting remains on a sound footing.

You should use this guide in conjunction with POR. The latest version can be found on our national website at <https://www.scouts.org.uk/por>

This guide assumes that the constitution of the Group follows the ideal constitution as described in POR.

Appendix 1

Facts about UK VAT for Scout Groups, districts and counties

General charities – which includes Scout Groups, Scout districts and Scout counties – do not have widespread exemption from VAT on their expenditure. The circumstances in which you can claim back any VAT charged to your unit are very limited. For example, when a Group purchases a tent it cannot recover any VAT charged.

Reliefs and exemptions

Charities do benefit from a number of specific VAT reliefs and exemptions.

Most of the income a typical Scout Group receives is either:

- 'Exempt' from VAT under exemptions which apply to membership organisations or not-for-profit education providers; or
- 'Non-business' and therefore outside the scope of VAT. That includes subscriptions and donations. See VAT Notice 701/1 section 4 for information on the meaning of the word 'business' in the context of VAT.

Registration

You do not charge VAT unless you are registered. It is compulsory to register for VAT if your income after excluding everything which is exempt or outside the scope of VAT exceeds £73,000 (from 1 April 2011). Hence most Scout units are not compelled to register and will not need to learn the complexities of VAT.

5. If your income is less than the compulsory registration limit – £73,000 from 1 April 2011 - and you have 'business' activities, you might possibly benefit from registering voluntarily for VAT. Because of the complexity of the system, you will need to have a fairly precise knowledge of your future income and expenditure and perform careful calculations to know whether you would benefit. In our experience most Scout units would not benefit. Registering also commits you to charging VAT on your non-exempt business income, and since most of the 'customers' are unlikely to recover VAT your charges are effectively higher.

Recovery

Registering for VAT does not mean that you can recover all the VAT you pay on your expenses. Because much of your income is exempt from VAT your ability to recover VAT is severely restricted. Complex rules apply which can be found in HMRC VAT Notice 706.

For example, camping equipment supplied by the Group for use by members represents either a nonbusiness or exempt supply by that Group, and as a result the Group cannot

recover any VAT on the purchase of that equipment. If the Group hires out that equipment to a non-Scout organisation, then if the Group has registered for VAT it would need to charge VAT on the hire fees. It could then recover VAT on the equipment cost, but only a percentage of that VAT.

That percentage is normally calculated by dividing the value of income of all types on which VAT is due by the total of all income, excluding non-business income. This percentage will normally be small.

Investment income

Scout charities are exempt from UK tax on most types of investment income, including income from investments made overseas, as long as the income is used for charitable purposes only. This includes interest and dividend income as well as rents received.

Buildings

Construction of buildings is mentioned section 6.1.3 of Notice 701/1 and covered in detail in VAT Notice 708, with items relevant to facilitating access by disabled persons covered in VAT Notice 701/7. Most VAT Notices are well-written, but the subject matter can be very complicated.

The following is intended as a quick introduction to the rules. However, this is a very complex area with many exceptions to general rules. Do not act solely on what is written here. Study the VAT Notice or other information given by HMRC. You might also wish to contact HQ as set out below or to seek professional advice.

New buildings with 'Relevant Charitable Use'

If you purchase or construct a new freehold building or a building on a long lease exceeding 21 years, and it is for a 'relevant charitable use' then the construction cost can be zero-rated for VAT. 'Relevant charitable use' means it is either used solely for non-business charitable purposes or as a 'village hall or similarly'.

The word 'business' has a wider interpretation in VAT legislation than usual. For many years HMRC maintained that buildings used for typical Scout Group activities had a 'business' use because payments were made by or on behalf of members to take part. That meant the only way to qualify for zero-rating was to fall within the 'village hall' provisions. Following long negotiations HMRC have modified their approach and many Scout buildings will now be accepted as having "non-business" use.

HMRC have recently accepted that subscriptions are not 'business income'. If the only use of a building is Scouting activities financed by subscriptions and donations, then the building has non-business use and can qualify for zero-rating subject to meeting detailed requirements.

Fundraising events and lotteries

Exemption on profits from fundraising events

There is an exemption from tax for profits from fundraising events such as fairs, fetes, barbecues and barn dances. The exemption applies for VAT as well.

The detailed rules found on HMRC's website refer only to VAT. If these conditions apply then as long as the profits are used for charitable purposes they will also be exempt from income and corporation tax.

If the same kind of event is held more than 15 times in a year in the same place, the exemption cannot apply for any of the events, not even the first 15.

Exemption on profits from charity lotteries

Profits from lotteries organised by charities for fundraising purposes are exempt from tax as long as the lottery is promoted and conducted with a lottery operating licence, and all the proceeds are used for the charitable purposes of the charity.

Trading

Any profits that your charity makes from trading activities - selling goods and services to customers, including members - may be taxable. However, there are some important exemptions:

A 'primary purpose' trading exemption

Where a charity carries on a trade as a means of fulfilling its charitable objectives the profits/surpluses are exempt from tax. Charging members to participate in activities and trips could be classed as 'trading', but if profits/surpluses arise, they are exempt from tax under the 'primary purpose' trading exemption. This exemption extends to trading, which is ancillary to the charitable objectives, including things such as the sale of uniform items. This exemption will cover the majority of regular Scouting activities.

Exemption for trading activities that are mainly carried out by the people who benefit from the charity - ie its beneficiaries.

More information is available on the HMRC website: gov.uk/guidance/charities-and-trading

If your youth members carry on a trade, then the profits can be exempt provided they are used for the charitable purposes. In most cases the activity would already be exempt under one of the other categories.

A 'small trading' exemption

The small trading exemption will often deal with any profits which do not fall into the exempt categories. If you have trading income which does not qualify for one of the other exemptions, then the profits will be exempt if the gross income (ie turnover before expenses are deducted) from activities which are not already exempt does not exceed £5,000. That limit applies where the gross annual income of the charity from all sources is under £20,000. If the charity has total income between £20,000 and £200,000 then the small

trading exemption covers turnover up to 25% of the total income. The limit does not increase if total income is higher than £200,000.

Note: Any trading income that is exempt under the other categories is not brought into the reckoning when calculating the small trading exemption. To illustrate with an extreme example, you can have £300,000 income from camping trips, etc. which is exempt as 'primary purpose' trading and still have a further £50,000 income not already exempt from tax treated as exempt under the 'small trading' exemption.

More information is available on the HMRC website: gov.uk/guidance/charities-and-trading

Summary

Although most aspects of VAT can be outlined simply there are usually many exceptions or detailed conditions which must be met for a particular relief to apply.

HMRC VAT Notice 701/1 summarises how VAT affects charities. Scout Groups will mostly be interested in Section 6.1 which deals with reliefs relevant to expenditure. Section 5 deals with VAT on different types of income but remember that you do not charge VAT at all unless you are registered.

HQ contact details: Ian Russell, Chief Accountant Email Direct line: 020 8433 7236.

Note: This does not apply within Jersey, Guernsey or to British Scouting Overseas, but the Isle of Man has VAT legislation that parallels UK legislation.