

**FINANCIAL PROCEDURES MANUAL**

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# INTRODUCTION

# **Purpose of this manual**

The policies and procedures explained in this manual have been developed so that we can manage our finances and resources effectively to enable us to succeed in delivering these aims.

All staff are expected to familiarise themselves with the sections of the manual that are relevant to their work, and to comply with the procedures. If for any reason procedures are not followed, the circumstances surrounding this must be reported to the Foundation Treasurer as soon as possible.

This is a working document, and we welcome recommendations and feedback on the policies and procedures, for example if staff have suggestions from their experience for ways to make a process easier, or more streamlined please discuss these with the Treasurer. If the process doesn’t work for one member of staff, it might be them that needs to change. If it doesn’t work for lots of people, it’s probably the process that needs to change.

**Financial Objectives**

* Big Leaf Foundation aims to break even each year in order to be able to continue to provide a service to our beneficiaries
* Big Leaf Foundation has identified a set of core activities detailed in our Charities Commission submission and will seek to finance these through income streams that are as secure and long term as possible
* Big Leaf Foundation will fund the activities within our directive though fundraising and appropriate grants.

## **General Points**

Financial Year runs from: 6th April to the 5th April the following year

Accounts will be drawn up after each financial year within 3 months of the end of the year. These will be presented, to board of trustees annually.

## 

# FINANCIAL RESPONSIBILITIES

## **Delegation of authority**

The board of trustees recognises that the founding trustees have day-to-day responsibility for management of the organisation and implementation of organisational policies, but that accountability remains with them.

The board of trustees are responsible for:

* approving the finance strategy, risk management policy and reserves policy
* approving Big Leaf Foundation’s financial policies and key financial procedures
* establishing financial management priorities, responsibilities and levels of delegated authority
* approving properly budgeted annual plans
* monitoring performance against these plans and budgets
* approving the trustees annual report and accounts
* appointing the independent examiner/auditor and formal communications with them if required.

The Founding trustees are responsible for:

* preparing, and presenting for approval, properly budgeted annual plans, in collaboration with the Treasurer.
* reviewing Big Leaf Foundation’s activities regularly, monitoring compliance with organisational policies and reporting to the board of trustees against agreed performance standards.
* ensuring that all staff and volunteers understand their responsibilities under these procedures
* risk management.

The Treasurer is responsible for:

* ensuring that finance systems and processes which support these policies are set up, documented and implemented
* ensuring that sufficient records are maintained to show and explain Big Lead Foundation’s transactions, in order to disclose accurately, the financial position of Big Leaf Foundation at any time
* managing the budgeting process for the annual plan
* presenting financial reports at each trustees meeting which give the board of trustees an understanding of Big Leaf Foundation’s overall finances, and giving advice and information to support decision making
* liaising with the independent examiner/auditor to produce the statutory accounts if required.

### **Reserves policy**

Reserves are that part of a charity’s unrestricted funds that is freely available to spend on any of the charity’s purposes. Big Leaf Foundation maintains free unrestricted reserves:

* to provide a level of working capital that protects the continuity of our core work
* to provide a level of funding for unexpected opportunities
* to provide cover for risks such as unforeseen expenditure or unanticipated loss of income.

the board of trustees will review the above criteria with reference to Big Leaf Foundation’s strategy and Annual Plan and determine the target level of free reserves to meet these.

The Board of Trustees will at times designate funds from free reserves for significant project costs or replacement of major assets.

### **Conflict of interest policy**

Trustees have a legal duty to act in Big Leaf Foundation’s best interests when making decisions, and to declare a conflict of interest immediately they are aware that there is a possibility that their personal or other business interests could influence their decision making. Big Leaf Foundation expects a similar obligation from staff and volunteers.

### **Segregation of Duties Policy**

In order to reduce the risk of errors and fraud, the processes in finance will be designed such that no individual is in a position to oversee a transaction through all its stages from start to finish. The stages are as follows:

* Initiating/authorising transaction
* Custody of assets relating to transaction
* Recording transaction in accounting records
* Reconciling accounting records

For example, a person who requests a purchase cannot authorise it, pay for it and record it in the cashbook, without another person being involved as a check and balance.

EXERCISING BUDGETARY CONTROL AND MONITORING

## **The annual plan and budget approval**

The founding trustees will draft a business plan to present to the board of trustees for discussion and approval at their 1st meeting each year. Each year starting April in line with the UK tax year. This will include sections detailing the resources required to deliver the plan, a budget which matches this and a cash flow forecast.

The Treasurer will draw up the budget section following discussions with any project managers we may engaged or suppliers of our services. This section will include written explanations of the estimates and assumptions underlying the figures, and identify potential risks.

If opportunities arise mid-year, the budget for those projects will be prepared by the relevant project manager (which may be a trustee of the Big Leaf Foundation or an additional volunteer) in consultation with the Treasurer. The Treasurer] must approve a project budget before it is included in an application for funds.

## **Reporting and monitoring income and expenditure**

The Treasurer will produce regular reports which provide clear financial information to underpin decision making and support trustees to discharge their responsibilities and staff to manage their work.

Reports to each trustee meeting will include:

* + comparison of income and expenditure to date against budget, and forecast income and expenditure to year-end against budget
  + explanations of any material variances from plan, and suggestions for corrective action where necessary
  + cashflow forecast for the following [12] months.

Monthly reports will also be given to budget holders covering the areas for which they are responsible.

Budget holders are expected to manage their projects within the approved budget and to notify Treasurer immediately if they foresee any material differences in income or expenditure.

The Treasurer will ensure that budget holders are given suitable training on an on-going basis to help them manage project finances successfully.

If a forecast shows an unplanned deficit overall for Big Leaf Foundation the Treasurer will inform the board of trustees immediately and seek their approval prior to making any commitments that would result in that deficit.

# CONTROLS ON INCOME

The aim of this policy is to ensure that Big Leaf Foundation receives the full amount of income due to us at the right time.

## **Due diligence policy on accepting funds**

Big Leaf Foundation must exercise due diligence prior to accepting significant donations and ensure that any funds accepted:

* fulfil our mission
* are not in conflict with our values
* do not present a risk to our reputation or independence.

To inform decisions, Big Leaf Foundation will evaluate the profile of the funder or donor, taking into consideration the original sources of their funding, the purpose of the funds and whether any conditions attached are reasonable, ethical and achievable.

### **Invoicing and debt control**

In order that Big Leaf Foundation’s management team is aware of what income is due, all employees who are responsible for contracts, grants, or other activities that generate income should inform Treasurer of the details promptly. All invoices will then be issued by the Treasurer.

If payers are late settling invoices, the Treasurer will contact them after 14 days to request payment.

If no payment is received after 14 days, and no reasonable explanation has been given, with the approval of the board of trustees services will be withdrawn until the debt has been cleared.

## **Legacies**

The Treasurer will keep records of any legacies notified to the charity, and will follow up on a quarterly basis to review progress on collection of outstanding legacies.

# **Controls on expenditure**

The aim of this policy is to ensure that expenditure is only incurred where it is:

* + in pursuance of Big Leaf Foundation’s charitable purposes
  + an effective use of Big Leaf Foundation’s resources
  + in compliance with any requirements relating to funding.

Staff need to be aware that Big Leaf Foundation is committed to expenditure when an order is placed, or contract is signed, not when the payment is made, so it is vital that orders are made responsibly, and within the approved budget and authority levels.

Any spending beyond the budget must be authorised in accordance with the delegated authorities.

## **Procurement, estimates and tendering**

In order to ensure value for money for significant purchases, research should be carried out on the goods or services in question and a relevant specification drawn up. Written quotes should then be obtained, or the contract put out for tender, dependent on value as follows:

|  |  |
| --- | --- |
| Value of Purchase  £ | Action Required (minimum) |
| £250.00 | Two written quotes |

Should a specialist item or service be required for which it is not possible to obtain more than one quote within a reasonable amount of time, a business case must be made and signed off by the Treasurer.

Where the supplier chosen is not the cheapest, the reasons for this choice must be documented.

## **Purchase orders and invoices**

### **Purchase orders**

In order to ensure that expenditure is in line with strategy and budget, and provides value for money, all purchases above the value of £300 must be initiated with a written purchase order. This must be completed at the time the goods or services need to be ordered (because this is the point at which Big Leaf Foundation is committed to the expenditure), not when it is time to pay for them.

Purchase orders will be authorised in line with the board of trustee’s agreement. Individuals authorising a purchase are confirming whether the expenditure is in line with budget, and that there are funds to purchase it. It is the responsibility of the person requesting the purchase to check whether this is the case.

No one should authorise any transaction from which they, their partner or a relative will personally benefit, for example their expense claims.

Staff must not authorise payments to (or that benefit) someone senior to them.

### **Invoices**

All invoices will be authorised in line with the delegated authorities.

All invoices should be sent when received to the Treasurer for recording.

The person who requested the goods or services is responsible for checking the quality of what has been received and that it matches the order, and that the invoice agrees to this and is accurate.

Once an invoice has been authorised, suppliers will be paid according to their payment terms, or if no terms stated within 28 days.

# **Borrowing**

## **Loans policy**

Other than pre-approved credit cards, any borrowing must be approved by the board of trustees, and in accordance with Big Leaf Foundation’s constitution, delegated authorities and rules on procurement.

Big Leaf Foundation’s ability to pay back both the loan and the interest must be determined before entering into any borrowing.

The impact on Big Leaf Foundation of any security required or bank covenants attached to a loan must be considered before entering into any borrowing.

Any loans taken out for cash flow purposes will be restricted to short term borrowings of six months or less.

Where loans are advanced by an individual, including trustees, the board of trustees must be satisfied that this represents value for money. The loan must be properly documented setting out the principal, interest, charges and payment schedule. Any conflicts of interest must be noted and managed in accordance with Big Leaf Foundation’s policy.

Records of all outstanding loans will be kept, noting:

* the history of repayments of principal and interest and the outstanding balance
* if the loan is secured or subject to bank covenants, the terms of the security or bank covenant will be logged on the fixed asset register.

# CONTROLS ON THE FINANCIAL ASSETS/RECORD KEEPING

Money is one of Big Leaf Foundation’s main assets. Our policies and procedures are set up to ensure that it is safeguarded and only used for genuine expenditure.

## **Bank account policies**

* Bank accounts in Big Leaf Foundation’s name must only be used for Big Leaf Foundation’s business, they must not be used to receive or transfer money for the private benefit of individuals or third parties.
* The opening or closing of bank accounts, and the approval/removal of signatories on bank accounts is determined by the board of trustees and recorded in the minutes.
* The costs and benefits of Big Leaf Foundation’s banking arrangements will be reviewed every two years to ensure that bank charges and rates of interest are competitive and that the bank’s credit rating continues to be acceptable.
* Cheques, online payments, standing orders, direct debits and other withdrawals from bank accounts are authorised by two signatories.
* The Treasurer is responsible for keeping records of all bank accounts and ensuring that the bank mandate is kept up to date.

## **Bank account procedures**

### **Making Payments**

* + There are three signatories to the bank accounts who are able to sign cheques and authorise online payments, standing orders and direct debits, these are:
    - Treasurer
    - Founding trustees - Vicki Ashraf Felgate, Kayte Cable
  + No person can authorise any payment involving themselves or any related party.
* The use of multiple payments to circumvent the authorised signing limits is not allowed.
* Cheque books will be kept locked away and no blank cheques shall be pre-signed.
* The Treasurer is responsible for keeping documents, setting up payments by direct debit or standing order, and for monitoring arrangements so that Big Leaf Foundation can ensure that they are cancelled when Big Leaf Foundation stops using the goods or services being supplied.
* When signing a cheque, or making a payment, the person authorising must check the invoice (or similar evidence) and initial and date it to confirm that they have made the payment.

## **Cash handling policy**

Cash is the asset most obviously at risk of misappropriation and fraud. In order to ensure the security of our cash and the protection of our staff, our procedures are set up with the following criteria:

* Cash received is counted by at least two unrelated people.
* Cash received is paid into the bank as soon as possible.
* The use of cash for payments is kept to a minimum, and is properly controlled.
* All cash is securely locked up.
* No payments are made directly out of cash received.

## **Cash handling procedures**

### **Income in Person**

* + Any cash/cheques received in the office are recorded alongside the income received through the post.
  + If there is no other documentation a receipt/acknowledgement will be given to the person who delivered the cash, detailing the amount and purpose of the income. A copy of the receipt should be kept with the finance records.

## **Safety of staff**

When banking or collecting cash, the safety of staff is paramount. Staff and volunteers should on no account put themselves into situations of danger, and should give up/not seek to recover cash or valuables if in physical danger.

## **Petty cash**

Petty cash will be used to pay for small expenses up to £100 where payments through other means are not practical or appropriate.

Any payments from petty cash must be properly documented with receipts or vouchers.

No personal advances will be made.

## **Accounting records policy**

Big Leaf Foundation will keep accounting records which are sufficient to explain all transactions and show the charity’s financial position at any time. These will include:

* Cashbook
* bank statements

All accounts files will be kept for the statutory period of six years from the end of the accounting period in which they were generated.

## **Bank reconciliations**

Reconciling the entries in the cashbook to the bank statements is a central financial control. Bank reconciliations will be carried out promptly after receiving each bank statement and will be independently checked.

# REIMBURSEMENT OF EXPENSES

Big Leaf Foundation wants to ensure that staff, trustees and volunteers are not out-of-pocket for the work they do for us, while also looking to get the best use of limited funds.

HM Revenue & Customs expenses and benefits rules recognise that reimbursement of standard business expenses (such as travel) are not taxable. Big Leaf Foundation’s policy is guided by these rules and we do not pay expenses that will give rise to tax or National Insurance.

In order to comply, any amounts claimed must be for actual costs incurred by staff ‘wholly, exclusively and necessarily in the performance of the duties of their employment’, and that adequate records are submitted with each claim.

The term staff shall be used in this policy to encompass staff, trustees and volunteers.

## **General rules**

* Expenditure incurred by staff, trustees or volunteers of Big Leaf Foundation should be necessary to achieve our goals and represent good value to the organisations that fund us.
* Each staff member is responsible for familiarising themselves with these rules and understanding the limits of their authority, as Big Leaf Foundation may not reimburse any expenses considered unreasonable or outside this guidance.
* All expenses should be itemised, with supporting receipts attached on Big Leaf Foundation’s claim form.
* Expenses under £20 that have no supporting receipt may be accepted. Expenses over £50 with no supporting receipt require a signed letter by the staff/ volunteer member explaining the purpose of the expense and the reason why a receipt is not provided. Big Leaf Foundation may decline to reimburse an expense claimed with no supporting receipt.

## **Eligible expenses**

The specific rules for eligible expenses that may be claimed by staff are listed and described below:

* Public transport fares
* Use of personal vehicles
* Taxis
* Subsistence
* Overnight accommodation
* the reasonable cost of childcare, or care of other dependants (for example, an elderly parent) whilst attending trustee meetings
* the cost of postage and telephone calls on charity business
* the costs of a trustee’s telephone rental and broadband subscription, so long as these are split to reflect the percentage of time relating to usage on behalf of the charity
* communication support: translating documents into Braille for a blind trustee, or into different languages; provision of alerting and listening devices, and other special aids for people with hearing impairment
* the costs of buying training materials and publications relevant to trusteeship
* providing special transport, equipment or facilities for a trustee with a disability
* cost of reasonable overnight accommodation and subsistence (including any essential care costs) while attending trustee meetings or other essential events such as voluntary sector conferences or specialist training courses

### **Public transport fares**

Expenses associated with public transport such as trains, buses, underground and short haul flights within Europe are eligible for expenses claims.

Staff are expected to make use of any special reduced fare arrangements, such as cheap day and period returns, where possible.

### **Use of personal vehicle**

Staff may use their own vehicles for business travel if they wish, at their own risk. Where practical staff should travel together to minimise costs. Any member of staff using his or her vehicle for business purposes must have a full UK driving licence, and the vehicle must have an in-date MOT certificate, be fully taxed vehicle and insured for business use. A mileage allowance may be claimed by staff using their own vehicle for business travel. Current mileage allowance rates are in line with the guidelines set out by HMRC at the time of the expenses claim.

Parking fees, congestion charges and toll charges will be met by Big Leaf Foundation, but not parking fines.

### **Taxis**

The cost of travel by taxi will be reimbursed in the following circumstances:

* There is no reasonable or practical alternative to getting to the destination.
* The staff member has been required to work so early or late, that public transport is not reliably available, or the individual’s safety is compromised.
* A ‘heavy load’ is being transported, which would be unreasonable to carry on public transport.
* The individual has a disability such that public transport is not appropriate.

The reason why the staff member has chosen to travel by taxi must be described in the expenses claim form, and a receipt provided showing the date, place of departure and destination.

### **Subsistence**

The reasonable cost of meals purchased while staff are working at a temporary workplace or while travelling within the UK and abroad will be reimbursed by Big Leaf Foundation. Please note that the costs of buying meals for colleagues (other than when both parties are travelling on Big Leaf Foundation business) may not be claimed.

### **Overnight accommodation**

Reasonable costs for overnight accommodation will be reimbursed where it is necessary for Big Leaf Foundation staff to perform their duties away from their usual workplace.

As a guideline, accommodation is expected to be as low cost as possible.

## **Making claims**

* All claims for travel and subsistence expenses, from trustees, staff and volunteers, must be completed on the appropriate form.
* Claims by staff should be authorised by the Trustee.
* Claims by trustees should be authorised by one of the founding trustees.
* Claims should be submitted monthly.

**What is not claimable as a Trustee Expense?**

The following are all examples of payments which are not legitimate trustee expenses or payments:

* payment of hotel accommodation or travel costs for spouses or partners who are not themselves travelling on charity business
* payment of private telephone bills for business unrelated to the charity
* payment of private medical insurance
* petrol mileage rates above the levels approved by HMRC for claimable expenses
* in the case of a trustee nominated by a local authority, expenses already allowed for under that authority’s statutory or contractual arrangements

## **Allowable expenses that require approval by the foundations Treasurer, plus one additional Trustee**

## Approval will be sought in advance of any payment being made to the claimant.

* compensation for loss of earnings whilst carrying out trustee business
* allowances: for example, a personal clothing allowance
* honoraria (small or token sums not intended to reflect the true value of the service provided)
* payment for use of a trustee’s property (or part of it) for storage and use of charity equipment

## **Claiming expenses as a Trustee**

* It is the obligation of each trustee to submit an expense claim to the treasurer within 2 months of the expense being incurred
* The expense claim must be made providing the following details:
  + Copy of the relevant receipt for the expenditure
  + Total amount of the expense being claimed
  + Details of why and expense was incurred
  + Details of the number of trustees involved
* Bank details for the expenses reimbursement payment to be made to by bank transfer from the foundations bank account.
* The treasurer will record the expenses incurred for audit purposed.

## **Payment to Trustees for Services delivered**

A charity can pay a trustee for the supply of any services over and above normal trustee duties. The decision to do this must be made by those trustees who will not benefit. They must decide that the service is required by the charity and agree it is in the charity’s best interests to make the payment and must comply with certain other conditions

Examples of services that may be provided by a trustee in return for payment under the power in the Charities Act include:

* the delivery of a lecture
* a piece of research work
* the use of a trustee’s firm for a building job
* the occasional use of a trustee’s premises or facilities
* entering into a maintenance contract with a trustee’s firm
* providing curtains or decorating materials for hall premises
* providing timber for a building
* providing specialist services such as estate agents, land agents, management and design consultants, computer consultancy, builders, electricians, translators, and graphic designers

Should Big Leaf Foundation decide to pay a Trustee for services we will follow the guidance laid out by the Charities Commission and ensure:

* there is a written agreement between the charity and the trustee or connected person who is to be paid
* the agreement sets out the exact or maximum amount to be paid
* the trustee concerned may not take part in decisions made by the trustee board about the making of the agreement, or about the acceptability of the service provided
* the payment is reasonable in relation to the service to be provided
* whether Big Leaf Foundation can afford the payment
* the value to the charity of the services provided by the trustee
* the quality of the service and the reliability of the supplier
* any costs previously paid by the charity in obtaining those services
* how much other organisations pay for similar services in similar circumstances
* the implications for the reputation of the charity with its donors, funders, members and supporters, and with the general public
* the trustees are satisfied that the payment is in the best interests of the charity
* the trustee board follows the ‘duty of care’ set out in the 2000 Act
* the total number of trustees who are either receiving payment or who are connected to someone receiving payment are in a minority
* there is no prohibition against payment of a trustee

# EXPENSES CLAIM FORM

|  |  |
| --- | --- |
| **Name** |  |
| **Address** |  |

If you’d like to be paid by BACS, please complete your bank details below.

|  |  |
| --- | --- |
| **Bank name** |  |
| **Name on account** |  |
| **Sort code** |  |
| **Account number** |  |

|  |  |  |  |
| --- | --- | --- | --- |
| **Date of expense** | **Details** | **Amount** | **Receipt attached or explanation if no receipt** |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
| **Total:** | |  |  |

I confirm that this claim is accurate and that the above expenses have been incurred by me in the performance of my duties for Big Leaf Foundation

**Signature:**

**Date:**

**Big Leaf Foundation will meet all reasonable expenses incurred by claimants in carrying out their duties. Please give brief details of what work each expense relates to, giving details of all journeys and attach corresponding receipts. Expenses claimed without receipts may be declined. Travel should normally be by second-class rail, taking advantage of the cheapest fare as far as is possible. If use of a car is necessary, or makes sense with regard to the practicalities of the journey, you may claim at [x]p per mile. Taxis may be claimed for (with receipts) in line with expenses policy. Your assistance in keeping Big Leaf Foundation’s costs as low as possible is greatly appreciated.**

**Authorised by:**

**Signature:**

**Date:**

# DELEGATED AUTHORITIES FORM

This document summarises the levels of authority required for key financial actions in Big Leaf Foundation.

|  |  |  |
| --- | --- | --- |
| **AREA OF AUTHORITY:** | **LIMITS APPLIED:** | **DESIGNATED PERSONS:** |
| 1. Budget variations | Change in project/team budget up to:  X%  Y%  Z%  Forecast change from surplus to deficit: |  |
| 2. Income agreements and expenditure contracts (including leases on property and equipment) | Up to £x,000  Up to £xx,000  Over £xx,000 |  |
| 3. Ordering goods | Up to £x00  Over £x00 | As per expenditure contracts above |
| 4. Authorisation of staff expenses |  |  |
| 5. Board Member expenses | Up to £xx  Over £xx |  |
| 6. Petty cash expenditure | Up to £xx (single transaction)  Over £xx |  |
| 7. Current account cheques |  | Any **two** bank signatories |
| 8. Bank payments (including foreign payments) |  |  |
| 9. Transfers between [ORG] bank accounts |  |  |
| 10. Receipt and banking of cash & cheques |  |  |
| 11. Employment contracts |  |  |
| 12. Legal documents (where not covered above) |  |  |