



## EYFS: The Safeguarding and Welfare Requirements

### Information and Records 3j.2 Financial Procedures

#### **Policy Statement**

Auden Place Community Nursery is a non-profit making organisation. We aim to balance our incoming monies with our outgoings. Each year any surplus is transferred to our reserves (which we aim to maintain at three months running costs as a minimum).

#### **Introduction**

Financial records will be kept:

- to enable us to meet our legal and other obligations e.g., HMRC, Companies House and Charities Commission
- to enable the board of trustees to have control of the nursery's finances
- to enable the nursery to meet contractual obligations and the requirements of funding bodies e.g. Camden Council
- to ensure that we work within budget and maintain sustainability

#### **Management Committee responsibilities**

The Management Committee (the Trustees) is responsible for the approval of the:

- Annual Statutory Accounts and the Trustees' Annual Report
- Annual budget, which costs the nursery's projected operating costs for the next year
- Fee rises for the coming year
- Staff pay and remuneration for the coming year and any pay increases throughout the year, including bonus awards
- Management staff contracts
- Monthly financial management accounts
- Orders for goods and services worth over £2k (note that this value is a guide and Trustees retain discretion for setting appropriate financial levels and other criteria for authorisation)
- The appointment of Auditors and other professional advisers
- Opening and closing bank accounts
- Relevant financial policies

The initial task of scrutinising the above and ensuring compliance with legislation, statutory obligations and best practice is delegated to the Finance Committee, which makes recommendations to the Management Committee.

#### **Procedures for Effective Financial Control**

In order to discharge their responsibilities to the MC for the effective monetary management of the nursery, the following financial procedures have been approved by the Finance Committee on behalf of the Management Committee, and adopted throughout the nursery:

#### **Budgeting**

- The annual budget will inform the fee setting process for the next financial year. Any fee increases will typically be implemented for 1 April of the following financial year, although this can change depending on prevailing circumstances at the nursery / general economy.



- To provide sufficient notice to parents of any fee increases (at least two months before implementation), the budget and proposed fee levels/scenarios will need to be presented to the MC in sufficient time to support this.
- The bookkeeper will support the nursery manager and CEO to prepare the budget, based on a review of previous years' expenditure and future forecasting. This will then be reviewed with the Finance Committee in advance of presentation to the MC as above.
- Budgets are broken down into several areas, each with its own budget code and annual amount. Certain areas are also broken down into monthly amounts for the nursery manager to work within.
- The Finance Committee will meet formally on at least a quarterly basis to review financial performance vs budget in the year to date.

#### Trustees' Report and Statutory Accounts

The Trustees' Report and Statutory Accounts are prepared on an accrual's basis in accordance with legal and best practice requirements. The prescribed Statement of Recommended Practice (SORP) format conveys a full description of the performance of the nursery and its assets over the past year, compared with the preceding year's performance. Performance is measured in the profit and loss (P&L) accounts, and the Balance Sheet contains a snapshot on the last day of the financial year (31 March).

The Trustees' Annual Report is a useful forum in which to highlight the nursery's achievements and results. The annual report and accounts are approved at a Management Committee meeting before the filing deadline and are then signed by the Treasurer and the Accountant and filed with the Charities Commission and Companies House. The audit threshold set by the Charity Commission requires an independent audit to be conducted where income > £1 million, else an Independent Examination should be conducted.

#### Management Accounts

After each month end the bookkeeper generates a balance sheet, profit and loss, creditors listing and debtors listing from the accounting software package (QuickBooks). This shows actual and monthly movement/balance by detailed account code. The management accounts are reviewed by the Finance Committee and CEO.

#### Reserves

The reserves policy is to build a sufficient level of reserves to enable normal operating activities to continue over a period of at least 3 months should a shortfall in income occur.

As we are a non-profit organisation registered charity (Charity Commission) and a limited company (Companies House) with a commitment to provide high quality and affordable childcare for the community, in accordance with Charity Commission guidance, it is our objective to steadily build up or maintain a contingency reserve of funds equivalent to one financial quarter's operational costs.

#### Fee Income

This is the largest source of income for the nursery. Each family that attends Auden Place pays a monthly fee, the amount depending on their household income (See our Fee Structure).



### Collection of Fees

Fees are due in advance on the 1<sup>st</sup> of each month by standing order or online transfer for the coming month. We retain the right to levy an administration charge of £25.00 per family who wish to pay their monthly fees later than 15<sup>th</sup> of the month. (Please see our Terms and Conditions for more information on fees and charges).

Fee payments should include a reference corresponding to the child's name (including surname). The nursery also accepts childcare vouchers/tax credit scheme. Parents must again ensure that these are referenced with the child(ren)'s full name(s).

Parents are invoiced separately if their child(ren) attends any extra days.

### Credit Control

The book-keeper checks through bank statements during the month and transfers the information onto QuickBooks. This shows payments against invoices and will show any discrepancies and gives the opportunity for management to inform parents if there are any issues with their payment prior to the 15<sup>th</sup> of the month preventing overdue payment fees where possible. Bank statements are checked and entered at regular intervals throughout the month. Any concern of outstanding fees is brought to the attention of the Finance Committee as soon as possible and an email is sent to parents.

### Fee reduction for staff

Any staff placing their children at the nursery will be asked to pay Band 3 fees, subject to the following discount:

- 30% for all staff

Please refer to the "Admission of Staff's Own Children or Those of Close Friends and Family" policy for details of the conditions.

### Fundraising Income

We are continually active in fundraising to provide funds for nursery supplies, improvements, children's outings etc.

### Expenditure

The bulk of the nursery's outgoings relates to staff costs.

### STAFF COSTS

#### Payroll

- The payroll is outsourced to Continuum Ltd.
- Any amendments of payroll need to be sent to Continuum each month via email to [mandy.atton@continuum-ltd.com](mailto:mandy.atton@continuum-ltd.com)
- If staff take out a cash sub, then a petty cash slip is written and it is recorded on the spreadsheet.
- Continuum then send a journal back to the nursery manager and CEO to be checked.
- Once approved, the bookkeeper sets up BACS payments to individual staff, with the date set up for the penultimate working day of the month. These are then authorised by one of the Finance Committee.
- The payment to HMRC is also set up immediately, payment being before the 19<sup>th</sup> of the following month.



### Purchasing Goods

- The general purchasing of goods is the responsibility of the nursery management team, who must work within the set budgets.
- Goods must be purchased from a reputable supplier and comply with any British Standard requirements, as necessary.
- Exceptional purchases (e.g. individual items > £2k) require pre-authorisation from the Management Committee – specifically a member of the Finance sub-committee or the Chair. As a guide, this could include:
  - Items not falling in scope of day-to-day expenditure.
  - Purchases of assets.
  - Significant repairs.
  - Significant contractual price increases.
  - New contracts with a reasonable financial commitment.
- It is the responsibility of the CEO and management team to be conscious of ongoing costs vs budgets and inform the Management Committee when costs are significantly above budget.

### Paying Suppliers Invoices

- On receipt of invoices, a manager must check them to ensure that goods have been received, and then signed
- Invoices are checked on a weekly basis and paid according to the suppliers' terms.
- When paying an invoice by BACS, it will be set up by the bookkeeper. The second authoriser, typically another member of the finance committee, will then receive an email requesting them to go online and authorise the payment. A summary of the invoices value and details must be attached to this email. If it is a non-invoice payment e.g. fee refund to a parent, this should be explained in the email.
- After paying an invoice, it needs to be filed onto the QuickBooks accounting package, and then placed alphabetically in the 'Paid Invoices' folder.

All invoices must be reviewed for reasonability before processing for payment:

- Ensure goods were received
- Ensure the payment period is accurate, and sense check for duplicates

## **General Financial Management**

### Banking

- Our main bank account is Charity Aid Foundation (CAF) online. We also have a savings account with them. This is a sub-contract of HSBC so any over the counter banking would be through any HSBC branches.
- Banking is done as needed, by post if only cheques need banking, or via a branch of HSBC if there is cash.
- A banking form is completed, detailing the amount, and name of child and period the amount refers to and kept in the banking file.



- This is processed onto QuickBooks when the money shows up on the statement and not before
- Bank statements are available online. The bookkeeper regularly checks statements online to check payments made in and out.
- There are two debit/cash cards held on the CAF account – issued to the Manager and the Deputy Managers. Any cash withdrawals made with these cards are recorded on the petty cash spreadsheet as incoming.

#### Bank Reconciliation and Suspense Accounts

At the end of each month, the bookkeeper reconciles both bank accounts, current and savings, as well as petty cash. This is done by checking each item on the statements against that entered on QuickBooks. Should this not reconcile then it will be re-checked until the difference is found. In the very unlikely case that the figures still do match, the difference will sit in discrepancies in the profit and loss for further investigation and resolution.

#### Petty Cash

- Petty Cash is stored in a locked tin, covered by the nursery cctv. The only keys are held by nursery management.
- No more than £500 should be kept in the petty cash tin at any one time.
- Every time money is used from the petty cash, a voucher must be completed, and it must also be recorded onto the petty cash excel spreadsheet. It needs to be broken down into individual budgets.
- Money is to be reimbursed into petty cash when necessary, by way of cash card.
- If parents choose to pay cash, then this goes into the petty cash and is recorded on the spreadsheet as an incoming balance.
- Petty cash is checked on regular occasions and recorded slips are put into a plastic wallet outside of the tin.
- Petty cash is closed off and balanced on the last day of each month.
- A copy of the spreadsheet is printed and kept with the receipts in the Petty Cash box.
- Petty cash is then processed onto QuickBooks.
- No cash advances (known as “cash subs”) totalling > £50 for the month will be made to individual staff members.
- All cash advances to staff are accounted for through payroll and PAYE applied accordingly.

#### **Confidentiality**

The confidentiality of employee’s financial circumstances will always be respected. Committee members, volunteers, and employees will always act in the best interest of the nursery and if they experience a conflict of interest in any form, they will not divulge sensitive information.