7 Finance

7.1 Group Budget

The Group's annual budget, which includes all income and expenditure of the Society and its trading subsidiary IRTE Services Limited is adopted by the Board shortly before the start of each financial year, which commences 1st January.

The budget incorporates all the activities included in the Strategic Plan. The preparation of the annual budget is co-ordinated by the Finance Department and incorporates the budgets prepared by the Chief Executive Officer, Head of Finance, Management Team all the other budget holders.

The budget is prepared by the Chief Executive Officer, the Head of Finance and the management team, reviewed by the BARM Committee for approval by the Trustee Board.

The budget report comprises a summary of all income and expenditure which is analysed by activity, and a capital expenditure budget.

Budget Timetable

- June: Approval of the membership subscription rates for the following year at the Trustee Board meeting.
- August: All budget holders prepare departmental budgets, including input from the Professional Sector Councils and other committees. The Head of Finance will meet with each budget holder to agree and refine their budget requests.
- September: The Chief Executive Officer and Head of Finance meet to consider the first draft of the consolidated budget and refine it to meet the financial objectives of the strategic plan. Centres & Regional Groups submit annual expenditure forecasts.
- October: The Budget, Audit & Risk Management Committee meet to review the second draft of the consolidated budget and make recommendations. A third and final draft of the budget will be circulated to the committee members for final approval. Any comments are to be forwarded to the Head of Finance by 1 November prior to the end of year Trustee Board meeting.
- November: Final consolidated budget sent to the Trustee Board for approval and adoption at the Board meeting.

7.2 Management Reporting

Monthly management accounts are prepared, and the pack reports on income and expenditure by activity, cash flow forecast, membership numbers and subscriptions receipts and ~~a~~ capital expenditure.

The management accounts are available to all Trustee Board members and reviewed at all Trustee Board meetings.

The Finance Department's detailed internal procedures are maintained in the department.

Centres & Regional Groups operate in accordance with the Regional Officers' Handbook.

7.3 Bank Signing Authority

The following office holders are authorised (subject to completion of bank mandate forms) to sign on behalf of the Society. cheques and other bank payments:

Chief Executive Officer, Head of Finance and Head of Operations.

Signatory requirements for payments by the Society and the trading company are as follows:

- Up to £1,000 any one as listed above
- £1,001 to £100,000 any two as listed above
- Over £100,000 Chief Executive Officer, Head of Finance and the Honorary Treasurer.
- Wherever possible, all payments must be made by electronic transfer. Cheque payments should only be made for incidental expenses.
- Original supporting documentation, authorised by the appropriate budget holder, must be attached for all payments.
- The signatory requirement for on-line payments or credit card authorisation shall be determined in accordance with the above, based on the largest payment to a single payee, not the total amount.
- Petty cash withdrawals are subject to a maximum of £200 per cheque, all transactions being recorded and reconciled each month against the float.
- Centre & Regional Group signature limits are set according to local needs; guidance is given in the Regional Officers' Handbook. Reimbursement for legitimate expenses incurred will only be made upon receipt of a completed financial return.
- Payments for sums over £1,000 would require the signature of an authorised signatory at head Office.

7.4 Reserves

Reserves policy is formulated with regard to:

- Forecasts of future income, taking into account the reliability of existing sources and prospects for new sources.
- Forecasts of future expenditure based on planned activities.
- An analysis of any future needs, opportunities, contingencies or risks, the effects of which are unlikely to be met out of income if and when they arise; and
- An assessment of the likelihood that any of these future events will arise and the potential consequences of not being able to meet them.

The Society's current reserves policy is determined in relation to its annual cash flow cycle, the ability to maintain essential services for long enough to implement action in the event of a major risk materialising and the need to maintain reserves to meet specific future liabilities and

possible commitments. After determining the level of funds to be held on short-term deposit, the balance of available reserves will be transferred to the fund manager for investment.

The trading company's current policy is to retain sufficient reserves to take account of its annual cash flow and identified trading risks. Profits are transferred to the Society by means of gift aid payments. The Society, in normal circumstances, should not transfer funds to the trading company.

Given the above objectives, the Group aim is to maintain sufficient free reserves, defined as unrestricted funds less tangible fixed assets, to cover 18 months total expenditure.

The trustees must include in their annual report information about the Society's reserves policy and the level of reserves held at the balance sheet date. It must also report any breach of that policy in the annual accounts.

The Society's reserves policy must be reviewed annually by the Trustee Board.

7.5 Investments

The Society's investment policy includes targets for the rate of return, the balance between capital growth and income generation, asset allocations and setting benchmarks for monitoring investment performance.

The investment policy must be reviewed annually by the Budget Audit & Risk Management Committee and recommendations made to the Trustee Board.

The Trustee Board shall appoint a professional fund manager, with discretionary powers, to manage the Society's funds that are available for investment. Every three years the Trustee Board will consider re-tendering the fund manager's appointment.

It is the Society's policy to value its investments at market value, and any realised and unrealised gains and losses are reported in the annual accounts. Quarterly valuation reports are produced by the fund manager.

The Society's portfolio and the fund manager's performance are monitored at all Trustee Board meetings, and the fund manager attends a meeting of the Trustee Board at least once a year.

7.6 Risk Management

A risk register is maintained covering all identified risks that are rated according to the likelihood that they will materialise and the impact if they do.

The risk register is maintained by the Management team for their respective sections.

The Budget, Audit and Risk Management Committee (BARM) review the risk register at each meeting and the Trustee Board review the risk register when required as recommended by BARM, but no less than twice a year.

Insurances are in place to mitigate some of the identified risks. The Head of Finance is responsible for arranging and monitoring insurances and preparing a summary of all the Society's insurance policies for review once a year, at the meeting before the 1 January annual renewal date.

7.7 Annual Accounts

Annual consolidated accounts for the Group, which comprises the Society, and its trading subsidiary IRTE Services Limited, are prepared for the year end of 31 December. In addition, the accounts for IRTE Services and the two dormant companies IRTE and IPlantE are also prepared separately. Preparation time leading up to the audit is limited, and co-operation from all concerned is essential to ensure that accurate accounts are prepared on a timely basis.

In the run-up to the year end, the Chief Executive Officer and other budget holders must ensure that invoices for all services provided within their areas of responsibility have been raised and progressed, and that invoices expected for goods and services ordered or received are identified, to ensure that they are accounted for in the appropriate financial year.

Departmental heads are also required to estimate the proportion of time of each staff member applied over the year to each of the identified list of activities, so that overhead costs can be fairly apportioned against those activities. This requires periodic assessment throughout the year.

It is a requirement of the Charities Act that all assets and liabilities of the charity be included in its accounts, including centre and regional group funds. The Head of Finance must ensure that the Centre and Regional monthly returns are sent to head office as soon as possible after the year end, to allow for consolidation into the Society's accounts. A timely filing of their financial returns will enable the Head of Finance to prepare the annual report for each centre and regional group in time for their own AGMs.

7.8 Audit

While the Society's auditors are formally appointed by the Society at the Annual General Meeting, auditors are in practice selected by the Trustee Board on the recommendation of the BARM Committee.

The President of the Trustees in conjunction with the Head of Finance will keep the performance and cost of the auditors under periodic review. Every three years the BARM Committee will consider re-tendering the appointment and will make their recommendations to the Trustee Board accordingly.

The Society and trading company accounts are audited annually. The accounts of the two constituent bodies IRTE and IPlantE do not need to be audited as they are dormant companies.

The audits commence in mid-February and are scheduled to be completed within a week. The Head of Finance will ensure that a complete audit pack is available at the start of the audit.

The BARM Committee will meet with the auditors in May to review the audited accounts and to consider their findings and recommendations that may arise from their audit.

The finalised audited accounts which comprise the Trustees' Report, the consolidated financial statements and the auditors' report will, on the recommendation of the BARM Committee, be approved and signed by the Trustee Board at the June board meeting and signed by the auditors shortly thereafter.

Final accounts for Centres & Regional Groups must be signed by the Honorary Treasurers and at least one Independent Examiner and approved at a regional Annual General Meeting to be held prior to the Society's Annual General Meeting held in July.

Abbreviated Society accounts comprising the Report of the Trustees, the Consolidated Statement of Financial Activities and the Consolidated and Society Balance Sheets are reviewed by the auditors and are made available electronically to members.