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1. Introduction

Royal Holloway Students' Union (RHSU) is committed to running a financially sustainable and transparent organisation. In order to ensure that our resources are allocated in the best way possible to achieve the maximum benefit for our members a framework of financial policies, procedures and practices is maintained.

The purpose of this handbook is to provide a single reference document for all staff to be able to refer in order to understand how RHSU manages its finances, who is responsible for what and what can and cannot be done within this framework.

The handbook will refer to specific policies and processes, rather than contain all of the policy details. Where this is the case, a brief outline of what the policy is for is contained here, but the particular contents may change. Where a specific policy does not exist (either because it is not required or because it is in the process of being written, the principles stated in the document should still be followed. References to policies are in italics.

2. Responsibilities

All staff in the organisation have a responsibility to ensure that we are using our resources in the most effective way to achieve our strategic aims on behalf of our membership. Specific members of staff may have responsibilities as budget holders or approvers as detailed in the Scheme of Delegation.

2.1 Trustee Board

Ultimate responsibility for the finances of RHSU rests with the Trustee Board; the Trustees have a statutory duty to manage the organisation's resources responsibly. This is done in a number of ways, but most obviously through the approval of annual budgets, setting of financial policies and delegated authority limits and through regular monitoring of financial performance.

2.2 Chief Executive

On a day to day basis, financial management responsibility is delegated by the Trustee Board to the Chief Executive. The Chief Executive is responsible to the Trustees for the running of RHSU's finances in accordance with approved budgets and policies.

2.3 Head of Finance & Business Reporting

The Head of Finance & Business Reporting is responsible to the Chief Executive for ensuring that financial processes and procedures are clear, efficient, safe and understood by all staff. The Head of Finance & Business Reporting manages the Finance Team, who undertake financial processing and all financial recording and reporting.

2.4 Deputy Head of Membership Support & Engagement

Student groups have independent financial management from the Students' Union, which is the responsibility of the group Treasurer and group President and is set out in the individual group constitution. Oversight of student group finances is the responsibility of the Deputy Head of Membership Support & Engagement, who manages the Student Opportunities team as they undertake financial processing on behalf of student groups. The Student Opportunities team are responsible for ensuring the accuracy of financial information made available to groups, and reconciliation between any systems used to prepare financial information for student groups and the Sage Accounts environment.

3. Banking

RHSU has a banking facility to ensure that our cash resources are kept safe and, where appropriate, earning a return, as well as to ensure we can efficiently make and receive

payments in the course of running the organisation. The opening or closure of any banking facility must be approved by the Trustee Board.

Day-to-day management of the banking facility, including maintenance of the bank mandate, authorised users and monitoring of balances is the responsibility of the Head of Finance & Business Reporting.

All bank transfers, BACS payments or other banking transactions shall be authorised by the Head of Finance & Business Reporting or a member of the Senior Management Team and shall always be authorised by someone other than the person who has prepared the transaction.

Direct debit mandates, cheques and other non-electronic banking transactions require the physical signature of two people on the bank mandate and must be approved by the Head of Finance & Business Reporting.

4. Cash

RHSU takes steps to reduce the use and holding of cash in the course of normal operations as much as possible, as it is seen as higher risk than alternatives. However, due to the nature of the organisation, we continue to handle large volumes of cash. The management of cash is governed by the *Cash Handling & Management Policy* which all staff in roles that require responsibility for cash must read and agree to adhere to as part of their induction process.

All procedures around cash are managed by the Finance Team, who are responsible for ensuring appropriate procedures and training are in place to limit any risk around cash handling. The Finance Team centrally manage the contract with the external cash transit company to ensure all cash collected is safely deposited into the bank account.

All cash is kept in a safe overnight/during closure hours, either locally to the sales location or centrally in the finance office. Any exception to this must be approved, in advance, by the Head of Finance & Business Reporting.

5. Stock Management

As we operate a number of trading outlets, there is a substantial stock holding. The Head of Trading Services is responsible for ensuring that appropriate policies and procedures are in place to effectively manage stock to best support operational delivery whilst minimising the overall stock holding level and minimising any wastage in terms of shrinkage (loss or theft) or impairment (damage or expiry).

All stock must be recorded into the stock management system as soon as possible after delivery. A stocktake will be undertaken for each outlet at least termly (3 times a year) and at year end 31 July. The year-end stocktake will include a certified valuation from a third party stock taker which is used as audit evidence for the carrying stock value.

Variances will be investigated and all efforts made to reduce wastage for subsequent periods.

Where stock is transferred between outlets, a clear process for doing so will be set by the Head of Finance & Business, which will be operationally led by Head of Trading Services.

6. Fixed Assets

Fixed assets are those of substantial value that have a 'useful economic life' of over a year, and are therefore capitalised. RHSU shall maintain a fixed assets register, which will track all

capital expenditure, accumulated depreciation, additions and disposals. This is governed by the *Capitalisation and Depreciation Policy*.

This policy ensures that the accounting for fixed assets is in line with accounting standards, and is as transparent as possible for our members and other interested parties to understand, as well as to ensure we keep a track of all of our large assets and review their value annually. Depreciation is on a straight-line basis.

Approval for capital expenditure sits with the Head of Finance and Business Reporting who is responsible for confirmation that items are eligible for capitalisation (and the Chief Executive where the value exceeds the approval limit of HoFBR in the Scheme of Delegation).

7. Income

All income should be recorded at the point of sale, either through the EPOS system, website or via the raising of an invoice in Sage Accounts. More detail is available in the *Cash Handling and Management Policy*.

All income must be recorded and correctly accounted for, and not net off against expenditure.

7.1 In-person sales

Where sales are made in person, at the point of sale (for example bar/shop sales), these should be recorded via the EPOS system and reconciled to the cash/card takings through the cashing up procedures at the end of each trading day. These cash-ups should be reviewed as per the cash up procedure and any significant discrepancies reported to the Head of Trading Services.

7.2 Website Sales

Sales for tickets, memberships and other items available for general sale but not covered in 7.1 above, should be sold through the website e-commerce system. This system enables instant, secure card payment and the purchased items are instantly available to the customer.

The Finance Team will regularly transfer all website transactions into Sage Accounts and reconcile to cash received into the bank account.

7.3 Invoiced Sales

Sales made to external organisations will normally be made via invoice, payable by BACS within 30 days of issue (unless payment is required sooner in advance of a service being received). These sales are usually of higher value and outstanding invoices are monitored by the Finance Team under the *Bad and Doubtful Debts Policy*.

Staff members outside the Finance Team are not expected to chase aged debt if they do not feel comfortable doing so, but may do if they feel this is more beneficial to the business relationship than direct contact between the supplier and the Head of Finance & Business Reporting.

7.4 Refunds and Credit Notes

Where a sale has been made and a refund is due, this shall be processed in the same way as the initial transaction:

- Shop/Bar sales should be refunded via the EPOS system using the same payment method (cash/card) as the original transaction
- Website sales should be refunded via the website e-commerce system

- Invoiced sales should be refunded via a credit note

All refunds require the customer to provide proof of payment for the initial transaction (i.e. a receipt). Any exceptions to this must be approved by the Head of Finance & Business Reporting.

8. Expenditure

As with income, all expenditure must be recorded and accounted for correctly. Expenditure approval limits are governed by the Scheme of Delegation.

In advance of any financial commitment being made, a Purchase order must be raised and approved by the relevant person. The Head of Finance & Business Reporting is responsible for the design and management of the purchase order system.

Payment for purchases can be made in several different ways:

8.1 BACS/Bank Transfer

This is the preferred method of payment for the organisation. Payments are made by BACS transfer upon the receipt of an invoice and approved purchase order. Ordinarily this would be after goods or services have been received and they have been confirmed as satisfactory, however we understand that some suppliers will require payment in advance of dispatching goods or providing services.

BACS transfers are made regularly by the Finance Team, according to timetables shared with all staff.

8.2 Credit Card

This is not the preferred method of payment for the organisation, and should be avoided unless necessary. A small handful of RHSU staff hold company credit cards (Financial Controller, plus the Senior Management Team). These are available for use to make purchases online, where payment is required at the point of sale. Prior approval of the relevant person is required in advance of any purchase in the form of a Purchase order. Receipts or invoices should be submitted with an approved purchase order as soon as the purchase has been made.

8.3 Paypal/Ebay/Amazon

The purchase order/receipt requirements are the same as credit card purchases. Again this is not the preferred method of payment for the organisation, and staff are encouraged to only use Ebay or Amazon for regular purchases, and instead establish a regular supplier relationship that can be paid via BACS.

8.4 Expenses

Where staff incur expenses whilst on RHSU business or in exceptional circumstances are required to make payment on behalf of the organisation, this can be claimed back via the expenses process. More detail is available in the *Staff Expenses Policy*.

A purchase order is not required in advance of the expenditure being incurred, but the budget holder should approve the nature of the expense in advance. An approved purchase order is required before the expense claim is reimbursed. RHSU reserves the right not to reimburse expenses where the prior approval of the budget holder was not obtained or where the *Staff Expenses Policy* has not been followed.

8.5 Direct Debit

For recurring payments, direct debits should be set up. This will enable regular invoices to be paid automatically. This will only be done with the approval of the Budget Holder and the Finance Team, and following receipt of an appropriately approved annual Purchase Order.

8.6 NUS Central Billing

For purchases made via the NUSSL purchasing consortium and directly from NUS, NUS Central Billing will be used as the method of payment. This is essentially a direct debit that NUS collects on behalf of all suppliers within the consortium. The Finance Team reconcile this payment on a monthly basis against invoices received.

8.7 Petty Cash

Where cash payment is required at the point of purchase and there is no alternative, petty cash may be issues to enable staff to purchase required items, however this should not be the norm, and should be approved in advance.

Petty cash floats are held on the trading outlets and the finance office. All petty cash signed out must be either returned or an itemised receipt for the purchases submitted with a purchase order so that the amounts reconcile.

9. Internal Transfers (ITs)

Where a 'purchase' is made by one department from another, an IT will be done to ensure the cost is allocated to the correct budget. ITs should net off across the organisation, and not have the impact of increasing both income and expenditure in aggregate.

This is most common when transferring stock between venues, where the department receiving the goods should have the stock debited and the department sending the goods receives the credit. To ensure that budgets and accounting records are correctly maintained the internal transfer process must be followed. The transfer of stock will also be recorded by the trading services team in the EPOS system for stock management purposes.

ITs are also common between the Students' Union and the student groups whose accounts we administer. This must also follow the internal transfer process.

10. Procurement

RHSU is committed to ensuring that we obtain value for money in all areas of the organisation. All staff have a responsibility to ensure that resources are being allocated in the most effective way to maximise the benefit to our members.

Whenever expenditure is being incurred, alternatives should be considered (including whether to incur the expenditure at all) the cost versus benefit analysed. Where large purchases or long-term contracts are required, a formal process will be undertaken as per the *Procurement Policy*.

This policy will ensure that a formal tender process exists, that regular reviews of suppliers and contracts is undertaken and a central register of all contracts is maintained (including a timeline for retendering).

11. Insurance

The organisation holds a number of insurance policies as part of the wider risk management programme. The Head of Finance & Business Reporting is responsible for managing these policies to manage the risk in accordance with the requirements of the Trustee Board.

All staff are responsible for considering the risks in their own areas and should highlight to their line managers any particularly risky areas. The Head of Finance & Business Reporting should be informed of any areas they feel should be insured.

All claims or potential claims under our insurance policies should be reported to the Head of Finance & Business Reporting as soon as staff are aware of them. The operational handling of claims or potential claims sits with the Senior Manager for which the activity is related (i.e. an incident in a late night venue: Head of trading services) with regular updates provided to the Head of Finance & Business Reporting.

Where new items are purchased that should be covered by a new or existing policy, the Head of Finance & Business Reporting should be informed prior to the purchase being completed. Where new activity is undertaken (for example a new sports team ratified or a new trading outlet opened) the Senior Manager responsible along with the Head of Finance & Business Reporting shall consider the need to insurance policy amendments/additions.

12. Payroll and Pensions

One of the biggest areas of expenditure for RHSU is our staffing costs. We employ around 60 permanent staff and over 300 student staff in a variety of roles. HR policies cover all of the employment related issues including the setting of pay, however the process of paying our staff is a shared responsibility between HR and Finance.

Payroll is ultimately the responsibility of the Head of Finance & Business Reporting, but much of the preparation for payroll is undertaken by the HR Team who report to the Head of Membership Services & Engagement.

All our staff are paid on a monthly basis, however we run two separate 'payrolls' each month – one for permanent staff and one for student staff. All staff are paid on the 24th of each month or the last working day before if the 24th falls on a non-working day. December is an exception to this due to the Christmas holiday, where payday will normally fall on the last working Friday of the month.

The processing of payroll shall normally be supervised by the Head of Finance & Business Reporting, or in their absence another Senior Manager. Before processing, the schedule of payments and deductions for employees must be signed off by a Senior Manager. The BACS run for net pay to be transferred to employees' bank accounts will be processed by the Finance Team.

Payroll records will be accurately maintained in Sage Payroll software. PAYE taxes, pension contributions and student loan repayments will be deducted using the software and information provided by HMRC.

RHSU is committed to offering relevant employees the opportunity to save for retirement and operates an auto-enrolment pension scheme in compliance with the law.

13. Budgeting

In order to ensure effective management of our financial resources, RHSU sets an annual budget and a 3-year budget. The annual budget is reviewed mid-year based on actual income and expenditure to date.

Budgets are a key part of our financial management, and it is imperative that all staff understand the importance of budget management, even if they have no direct budgetary responsibility.

The Trustee Board is responsible for approving the budgets, as per the *Scheme of Delegation*. Individual budget holders are responsible for working within their set budgets. The following principles guide the work in this area:

- There will be two budget rounds per year ('The Budget' and 'The Reforecast')
- There will be a 3-year budget for longer term planning
- The Trustee Board will formally approve all budgets consultation with RHUL
- The budgets will be reported to the RHUL Finance Committee, on behalf of Council

NB Unforeseen circumstances result in changes to the above. For 2020-21 due to the Covid19 pandemic, the final budget for the year will not be approved until November 2020 (after the start of the financial year) for the first three months of the year staff will work within the parameters of an interim draft budget. It is unlikely that an annual reforecast will be suitable in these circumstances, as more regular forecasting and adjustment of expectations will be required during the year.

14. Financial Reporting

Monitoring financial performance against set budgets is important to running a successful and sustainable organisation. This enables the organisation to assess how well we are performing against the prediction, and to identify and rectify any issues in order to avoid substantial negative impacts on our financial position and, ultimately, our ability to continue to operate in the most effective way for the benefit of our members.

14.1 Management Accounts

Monthly management accounts will be produced by the Finance Team and presented to the Management Committee for consideration. Where any unexpected results are highlighted, a plan for corrective or compensating action will be put in place.

The Finance, Staffing & Risk Subcommittee receive financial updates at each of their meetings and monitor financial performance on behalf of the Trustee Board.

14.2 Financial Accounts

We are required by law to publish our Annual Report and Accounts, which are independently audited. This is to ensure that we are transparent to our members, funders and other interested parties about the sources of our income, our level of expenditure and how much surplus/deficit we generate each year.

This includes a comprehensive account of our income and expenditure for the year, a 'snapshot' of our financial position (assets and liabilities) at the end of the year and associated commentary to add context to the numbers.

The Trustee Board approves the financial accounts, which are presented to our membership at an Annual General Meeting. The Chief Executive and Head of Finance & Business Reporting are responsible to the Trustee Board for providing all necessary information to the external auditors to enable them to complete their audit, and to respond to the Audit Findings report (AFR).

14.3 Reporting to Members

Whilst the statutory Annual Report and Accounts provides some information to our members, this is only retrospective and sometime after financial decisions have been taken. In order to be transparent with our members, RHSU is committed to providing them with information on our financial plans and performance.

Whilst certain aspects of our finances need to remain confidential, the organisation will communicate our overall financial plan to our members in a way they can easily understand and report on our performance against this plan.

15. VAT

As a large organisation with a variety of income streams (including trading outlets), VAT is an important element of our financial management framework. The Head of Finance & Business Reporting is responsible for managing the financial accounting system in a way that clearly recognises VAT, and for submitting quarterly VAT returns.

As a registered charity and membership organisation, we have a responsibility to ensure that as much of our income as possible is directed towards benefiting our members. As such, we aim to reduce our VAT liability as much as possible, whilst ensuring that we are compliant with the law and HMRC regulation through appropriate application of available exemptions. Where appropriate the organisation will seek external, professional advice on such matters.

16. Student Group Financial Management

RHSU administers banking on behalf of ratified student groups, to provide support for our members and continuity due to the transient nature of the group committees. Income and expenditure decisions are made by the groups themselves, within a framework of procedures set by RHSU. These procedures are clearly communicated to the student leaders of groups, and designed in a way to reduce the administrative burden of leading a student group whilst ensuring compliance and maintaining an audit trail.

All active student groups will have access to view their accounts and draw on the support of RHSU Student Opportunities in managing their finances. Training will be provided to group Treasurers and other committee members to enable them to do so effectively.

Student groups are separate VAT entities and do not fall under the RHSU registration for VAT, as advised by our external tax advisor.