



MARCHES COUNSELLING SERVICE:

## **Financial Risk**

**Includes guidance on:** Duties of personnel; Management of cash & banking;  
Management of accounts & budgeting; Funding issues

[www.marchescounselling.org](http://www.marchescounselling.org)

**Document Type:** organisational policy

**Reference:** OP-005

**Document Author:** Policy work group

**Document Purpose:** This policy outlines the procedures in place to manage financial risk within the organisation

**Responsible Group:** Board of Trustees. Please refer to Appendix ‘Roles and Responsibilities’

**Date Ratified:**

**Where this is to be held:** in the main MCS office, digitally

**Information from/sourced/referenced:**

- Confidentiality Policy
- Staff Agreements
- Staff Handbook

**The validity of this document is only assured when viewed via the office copy. If this document is printed into hard copy or saved to another location its validity must be checked against the reference number on the office version. The office version is the definitive version.**

**If you would like this document in other languages or formats (i.e. large print) please discuss with the administrator who will endeavour to help you.**

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**1. Introduction**

1.1 The charity’s trustees regularly review and assess the risks faced by the charity in all areas of its work and plan for the management of those risks. Risk is an everyday part of charitable activity and managing it effectively is essential if the trustees are to achieve key objectives and safeguard the charity’s funds and assets.

1.2 Managing risk effectively, means trustees ensure that significant risks are known and monitored, enabling them to make informed decisions and take timely action. This enables the charity to make the most of opportunities and develop with the confidence that any risks will be managed.

1.3 Generally, risk will need to be considered in terms of the wider environment in which the charity operates. The financial climate, society and its attitudes, the natural environment and changes in the law, technology and knowledge will all affect the types and impact of the risks the charity is exposed to.

The major financial risks for the charity are likely to be:

- an unforeseen reduction in the demand for the service by those able to pay
- an unforeseen rise in demand for the service from those needing concessionary sessions
- termination of funding from local bodies who have given regular support
- reduced ability to attract and obtain project funding
- difficulty in attracting appropriate volunteer counsellors, this impacts upon the professionalism and financial sustainability of MCS
- unforeseen rises in running costs.

In addition overall consideration needs to be given to avoid the following:

- inaccurate and/or insufficient financial information
- inadequate reserves and cash flow
- dependency on too few income sources
- insufficient insurance cover.

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1.4 Financial risk is mitigated against by appointment of at least one trustee with relevant financial experience. The appointment of the administrator is made with regard to financial and/or book-keeping experience.

## **2. Legal**

### **2.1 Insurance**

Although the risks that a charity might face are both financial and non-financial, a part of the ultimate impact of risk is financial in most cases. The law requires that some risks are insured – in this context at MCS all clinicians are required to have their own Professional Liability insurance while the charity maintains Public liability, Malpractice and Professional Indemnity insurance.

### **2.2 Trustee responsibility**

At induction all trustees are given a copy of the Charity Commission's accounting and reporting essentials, along with a copy of the most recent examined accounts. They are informed of the legal and financial requirements of the role.

### **2.3 Delegation**

The responsibility for the management and control of the charity rests with the trustee body and therefore their involvement in the key aspects of risk management process is essential, particularly in setting the parameters of the process and reviewing and considering the results. Trustees may delegate elements of the risk management process to staff or professional advisers. Where this takes place the trustees should review and consider the key aspects of the process and results. The level of involvement should be such that the trustees can make the required risk management statement with reasonable confidence.

### **2.4 Monitoring**

Annual monitoring by trustees supplemented by quarterly reports at business meetings is considered sufficient when operating conditions are stable. If additional risks are identified in the community, more frequent monitoring can be advisable. Extraordinary meetings of the trustees will be called by the chair for this purpose.

### **2.5 Audit/examination of accounts**

Charities are required by law to have their accounts audited or examined. In the former a risk management statement in the trustees' annual report should confirm that '...the charity trustees have given consideration to the major risks to which the charity is exposed and satisfied themselves that systems or procedures are established in order to manage those risks.' (Charities (Accounts and Reports) Regulations 2008). At this point in time MCS falls in to the latter category where this is not a legal requirement, however it is seen as good practise. To mitigate against risk MCS uses a DPB authorised accountant. Any of their recommendations are acted upon in a timely manner.

### **2.5 Employment**

All staff involved with MCS are self-employed and/or work on a voluntary basis. Their agreements with the charity state that there can be no guarantee of regular hours. This is due to the nature of the work undertaken and the unpredictability of client numbers or duration in therapy.

### **3: Management of Cash**

#### **3.1 Safety of cash held in building**

Monies collected from clients are held in a locked cashbox in a locked filing cabinet in the hall. Access to the hall is via the locked door at the entry to the office suite, which can only be accessed via the locked front door of the building where a security camera monitors access. Petty cash of £20 is held in a locked cashbox in the office. Monies can only be accessed by properly authorised and trustworthy staff.

#### **3.2 Petty cash**

This is held in the main office by the Administrator. Items of up to £20 may be purchased through petty cash under the authorisation of the Administrator. Monies are returned to the purchaser on production of a receipt. A record of all purchases and receipts are kept by the Administrator

#### **3.3 Banking**

This is done weekly by the Administrator, who signs the accounts book to indicate that it has taken place.

### **4: Management of bank account**

#### **4.1 Signatories**

A minimum of two signatories are needed for cheques. To facilitate smooth working of the payment system there are always four people able to sign cheques of whom two are trustees and two senior clinicians. Expenditure over £20 needs the authorisation of a Trustee (see petty cash for less). Expenditure over £100 is approved beforehand in principle by a business meeting.

#### **4.2 Online banking**

As well as signatories, authorisation is given to the administrator to access the online account or the purpose of monitoring incoming and outgoing payments. This does not give authorisation for making payments online.

### **5: Management of accounts**

#### **5.1 Account books**

Service income is recorded in accounts books by those members of staff responsible for its collection. Details of these transactions are transferred to the computer accounts by the Administrator. Details of expenditure is entered directly from invoices to computer.

#### **5.2 Computer accounts**

Data on computer is secured by a password known only to key staff. Computer accounts are updated as invoices come in and at the time of banking. A monthly resolution is made with bank statements. Regular and sufficient backups are made and copies also kept offsite by a trustee in case of fire.

#### **5.3 Reporting**

Quarterly financial reports are prepared for the quarterly business meetings and an annual report prior to the A.G.M. This is the responsibility of the Administrator under the direction of a trustee (Chair/Treasurer).

#### **5.4 Examination/audit**

Accounts are sent for examination to a qualified accountant at the end of each financial year. Audit is not necessary until income exceeds £500,000 per annum.

### **6. Management of debts**

#### **6.1 Client fees**

6.1.1 It is inevitable that on occasion a client will omit to pay for a booked session. This takes place in particular when a client leaves their counselling without warning. The client/counsellor agreement indicates that payment is expected for all sessions which are booked, unless cancelled well in advance. Where payment is not made at the end of counselling a letter is sent requesting payment alongside asking for reasons why they have left counselling.

6.1.2 A record is kept by the counsellor of all client payments. In some cases the client may be unable to pay the full amount when attending and the counsellor may agree that this can be paid at the next session. The debt is recorded and agreed. If this happens on a number of occasions the client is asked if they are struggling to pay the fee and the possibility of a reduction discussed.

6.1.3 MCS raises funds to underwrite the counselling costs of those unable to pay the full amount. Unpaid fees are a part of the accounting decisions made for funding applications.

#### **6.2 Grant payments**

Some grant giving bodies make deferred payments after monies have been spent. MCS's experience of this indicates that the extra administration involved and the strain on pre-existing finances means that these grants should only be pursued in exceptional circumstances and the impact on the smooth running of the organisation carefully assessed.

### **7: Budgeting**

#### **7.1 Reserves**

Financial reserves are kept to cover a minimum of three months core costs to enable work with clients to be brought to an acceptable conclusion should the organisation be in the position of having to close.

#### **7.2 Restricted funds**

Where monies are received for a specific purpose or project outside of the core work of the organisation they are treated as restricted reserves. They can be managed by a separate spread-sheet being set up to monitor expenditure where this is required by the funder. Where this is not a requirement the monies may be added to the core spread-sheet, but the specific expenditure for the project is monitored by the Administrator and the project working group.

#### **7.3 Approving budgets – delegation of authority**

Accounts are made available at quarterly business meetings to enable trustees to monitor the financial position of the organisation

Sub-groups approved by the trustees may have delegated to them the right to apply for funding which meets the criteria below. Sub-groups should include a trustee or have a nominated trustee with whom to liaise before final submissions are made.

**7.4 Core work review and projections**

Annual financial reviews are undertaken prior to the annual general meeting in the autumn. These also consider projections for income over the coming year, to ensure that an appropriate balance is being achieved to maintain the sustainability of the organisation.

**7.5 Staff costs relative to income**

To maintain the sustainability of the service it is necessary to recruit both accredited and non-accredited (volunteer) counsellors. The balance of students to accredited counsellors should be no less than 50%. Counsellors should be recruited in 'pods' of four to maintain sustainable supervision costs.

**8: Funding**

**8.1 Core work maintenance**

Experience indicates that 25% of outgoings need to be raised by external funding initiatives annually. To date this has been possible through local funders who need to be kept in contact with the service and its work through annual reports and funding applications. A funding group meets quarterly to monitor and maintain the requisite level of funding.

**8.2 Service development needs**

The funding group also seeks funders for project work proposed for the development of the organisation. In order that service and project development is sustainable, it has been agreed that the extent of the funding for this work should not exceed one third of the previous year's income, unless the excess is seen as contributing substantially to the core funding.