

## BCS, The Chartered Institute for IT

### Member Groups Financial Guidelines

Responsible Body	Finance
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## **1. Purpose and Scope**

1.1 The purpose of the Member Group Financial Guidelines is to set out the financial policy and procedures governing the operations of all BCS Member Groups. Member Groups include Branches, Specialist Groups and any other voluntary grouping of members involved in financial activities.

1.2 The criteria governing such rules and procedures needs to reflect the legal requirements and responsibilities of Trustee Board which they are required to exercise as part of their role as Trustees of the Institute.

1.3 The financial operations of Member Groups are undertaken and monitored by individual Group Treasurers, Member Groups Section at BCS Swindon and the Membership Board Finance Committee (MBFC). MBFC reports directly to Membership Board (MB) which reports directly to the Trustee Board.

## **2. General Financial Framework for a Member Group**

2.1 Member Groups are part of the Institute and any funds they generate or hold, and commitments they make, are part of the assets and liabilities of BCS. Accordingly, there is an obligation on each Member Group to monitor income and expenditure against their agreed budget, to make regular returns, and generally to behave in a thoroughly responsible manner.

2.2 The responsibility of Trustee Board is to ensure that it exercises appropriate management and approval over the activities of Member Groups in line with their duties as Trustees. In practice, this means that Trustee Board are required to approve the overall operating budgets of Member Groups in a similar manner to all other activities of the Institute. The detailed approval processes are delegated by Trustee Board to MB, who in turn has delegated this to MBFC, supported by the Swindon Member Groups Team (MGT) and the Member Groups Accountant (MGA).

2.3 It is worth noting that for legal, corporation tax, VAT, external audit and Charity Commission purposes the Trustees responsibilities and current status of tax treatments relies on all Institute activities falling within the charitable objectives and governance of the Institute.

## **3. “Risk” Commitments**

3.1 One important obligation on a Member Group is that it must not expose the Institute to financial risk. A Member Group must not commit itself to expenditure unless specific budget approval has been obtained prior to any financial commitment.

3.2 Member Groups are requested to report any significant budget or business plan variance to the MGT as soon as they are recognised to enable MBFC to monitor the overall financial position of all Member Groups.

## **4. Financial Year and Basis of Accounting**

- 4.1 Member Group accounts match the BCS financial year 1st September to 31st August.
- 4.2 BCS uses the Accruals Method to produce its annual accounts, that is income and expenses are matched to the year in which they are incurred or the event takes place rather than when cash is received or paid out.

## **5. Centralised Accounting**

5.1 The Institute operates a centralised accounting system for all Member Groups using the Institute's main account at Lloyds Banking Group, Old Town, Swindon. Member Groups are prohibited from opening their own bank accounts. The centralised system considerably reduces the burden on Treasurers, especially with regard to paying suppliers, collecting income, VAT, and the preparation of year-end accounts.

5.2 The aims and objectives of having a centralised accounting system are as follows:

- to enable the Institute to manage its cash resources more effectively;
- to enable Swindon staff to offer assistance to Treasurers in obtaining accurate and timely information on the state of their Member Groups' accounts;
- to ensure that the Institute acts in a legal manner with regard to taxes and its charitable status;
- to simplify the work of the Treasurers, particularly in producing the end of year accounts and removing the need for quarterly VAT returns;
- to ensure prompt payment of invoices and expense claims received at Swindon;
- to set up an efficient financial reporting system;
- to maintain proper accounting records.

5.3 Details of centralised accounting are set out in *The BCS Accounting Service*, sent to all Group Treasurers each time it is updated or when they first take up the post. It is available on the Volunteer Portal Link here: [www.volunteer.bcs.org/Rules\\_Finances](http://www.volunteer.bcs.org/Rules_Finances)

## **6. Financial support to Member Groups and the Budget Cycle**

6.1 The Institute makes an annual funding allocation in the budget to MB, as a specific contribution towards running Member Group activities. Funds can only be provided for operations and activities which support BCS's charitable objectives. MBFC is required to submit a budget request to MB to cover the following:

- MBFC meetings and Member Group assemblies, conventions etc.
- Member Groups' regular meetings and running costs
- Additional Group activities such as conferences or special projects.

6.2 Similarly to any other unit of BCS, each Member Group needs to develop a financial plan and submit a budget annually. The Group's plans and budget requests are submitted to the MGT in the first instance but have to be submitted to MBFC for approval.

6.3 Even if a Group's financial plans are the same as the previous year, its committee should review the aims and benefits statements.

6.4 The three key elements of the financial plan submission process and budget allocation are:

- the sums requested, itemised by spend category and timing;
- the case for funding, aligning the request to the BCS strategic objectives;
- the detailed, individual event, planning form.

For many Groups once this is established the process will be increasingly streamlined to submitting copies, or near copies of the previous year's financial plan.

6.5 Events with a planning horizon longer than a single financial year, such as major conferences, have to be included in the annual budget request but are handled by the BCS as individual projects in their own right.

6.6 The outline timetable for the submission and approval of budget bids to allow MBFC to co-ordinate their budget process with the financial cycle of the Institute is given at Appendix 1.

6.7 Copies of the forms that make up the budget submission are available on the Volunteer Portal. Link here: [www.volunteer.bcs.org/Rules\\_Finances](http://www.volunteer.bcs.org/Rules_Finances)

6.8 If plans change for any reason, MGT need to be advised as soon as possible so that any financial consequences of the changes can be taken into account and acted upon.

## **7. Member Group Funding**

7.1 When the Institute's budget has been approved by Trustee Board, MBFC notifies individual Member Groups of their budget for the forthcoming financial year.

7.2 Swindon Finance sets up the appropriate framework for recording Member Group activities against the approved budget. Coding of invoices, claims and other expenditure is completed by the MGA in line with the type of expenditure incurred. Most costs are for routine activities and non-chargeable events/meetings. Major chargeable events/conferences with a longer planning horizon, may be set up with a special "third level" code to keep the income and expenditure separate

7.3 Swindon Finance provides a monthly finance report for the Group treasurer, showing the Group's monthly and cumulative actual income and expenditure vs the budget. This is supported by a detailed listing of the individual transactions that make up the expenditure. A summary is also provided to MBFC.

7.4 Any funding not used in one financial year cannot be retained for use in a subsequent year. Roll-over funds *may* be available for those Member Groups who earn income; if an MG qualifies, they will be advised by the MGT accordingly.

- 7.5 Supplementary Funding – a Member Group can apply for Supplementary Funding using the SFR application process. An SFR will be considered by the MBFC where additional funding is required for a special event or additional running costs. Go to [www.volunteer.bcs.org/Funding\\_Supplementary](http://www.volunteer.bcs.org/Funding_Supplementary)
- 7.6 Where a Member Group does not use all or some of the allocated funds provided by an SFR after three months past the required date (to allow for invoices and claims to be submitted) then the MGA will review the accounts and transfer back all or part of the SFR as appropriate to the overall SFR pot, for use by other MG's.

## **8. End of Year Accounts**

8.1 Shortly before the end of the financial year, Swindon Finance will issue Member Group Treasurers with a request for any information (notably lists of expenses claims and invoices still to come in, debtors and creditors) required to complete the end of year accounts from the Centralised Accounting records. The deadline for returning this information will be early September to enable the Institute to comply with the audit timetables leading through the approval process of the Institute's Annual Report and AGM.

8.2 BCS Swindon will issue final accounts to all Member Groups which will be the official version for all subsequent accounting purposes.

## **9. Member Group Financial Records**

9.1 The use of centralised accounting does not remove the obligation for Member Groups to maintain records locally. These are needed to enable Treasurers to establish a proper audit trail and because there is an obligation on Member Group Treasurers, to augment the monthly financial reports from BCS Swindon in providing regular financial reports to their Committees and, at the AGM, to the membership of the Member Group as a whole.

9.2 The recommended basic record keeping requirements are:

- a permanent file for holding reference material - e.g. the financial guidance issued by the Institute, authorised signatory forms etc.;
- a year file for any correspondence relating to the financial activity of the Member Group in a particular financial year;
- temporary hard or electronic copies of all invoices, claim forms and any vouchers to support payments sent to Headquarters to settle from the Member Group's budget in case originals go astray, they are the subject of a query by Swindon staff, and to assist in reporting to Committees etc. as to what further items are yet to appear in the Swindon financial statements. These must be destroyed as soon as they appear on the monthly reports to comply with Data Protection.

9.3 There is a statutory requirement to retain all original financial records of the Member Group for a period of seven years by Swindon. Any original documents not forwarded to Swindon for any reason must be handed over to succeeding Treasurers.

## 10. Income

10.1 Member Groups receive income from a number of different sources and it is important that such income is correctly accounted for, with a clear audit trail and supporting documentation. Member Groups are requested to liaise with the MGT at BCS Swindon where invoices need to be raised.

### 10.2 Events

10.2.1 Income from events usually arises from delegates' fees, but can include sales of proceedings from conferences, renting exhibition stands or floor space, direct or indirect sponsorship, etc. Pricing should reflect the economic cost and may allow for a small surplus and should differentiate between BCS Members and Non-Members.

10.2.2 The normal budget pro-forma now includes a separate planning sheet for each event. These should be used whenever an event is planned to ensure a reality check on expected attendance and likely costs. Events should not normally be budgeted to run at a loss.

10.2.3 The BCS on-line booking system must be used for all chargeable events and the delegates' booking of said events. This allows payment at the time of booking by credit or debit card and provides a VAT receipt, obviating the need to raise invoices and to chase the customer for payment. Please go to the Volunteer Portal for full details – link here: [www.volunteer.bcs.org/Guidance\\_Event\\_Organisation](http://www.volunteer.bcs.org/Guidance_Event_Organisation)

10.2.4 VAT will be involved on virtually all aspects of events income.

10.2.5 Joint Events. All forms of joint events should have a written agreement in place as part of the planning process. This is especially so if joint funding is required or where an agreement to share profits or loss has been made. It should be noted that when planning joint events and BCS offices or other property is being utilised, a notional charge for the BCS property must always be included within the financial plan before any agreed split of profit is made. A model Memorandum of Understanding is available for your use. Please contact the MGT or go to the Volunteer Portal.

10.2.6 The MGT is keen to provide as much support as possible to Honorary Treasurers and work with them to maximise the Group's profile both internal and external to BCS. The MGT is always happy to assist in event planning and administration, especially if this involves a new venue or is a new activity the Group is undertaking. Any new initiatives are extremely valuable in promoting the Group to the wider BCS membership.

10.3 Donations {Definition "Donations are given without return consideration"}. Member Groups can receive income by Donation. This income specifically does not result in the Donor receiving anything in exchange for their Donation. I.e. Donation income cannot result in the Donor being mentioned in any way, manner or means whatsoever in relation to BCS. If this happens, then the Donor becomes a Sponsor. Donation income does not attract output VAT so it is very specific and must be understood by both parties.

10.4 Sponsorship An update to the Sponsorship & Advertising Policy will follow in due course.

## 11. Expenditure

11.1 Member Groups like other parts of the Institute are expected to keep within their budgets and only exceed them in exceptional circumstances with the prior approval of Trustee Board (exercised through Chair MBFC).

11.2 Member Groups incur expenditure from a number of different sources and, as with income, it is important that all such expenditure is correctly accounted for, with a clear audit trail.

11.3 When a Group Treasurer receives an invoice, expenses claim or any request for payment by email from the MGA, or directly (very rare) they should:

a) Check that:

- the invoice is addressed to “BCS”;
- the goods/services have been received (or, in the case of expenses claimed, that they are genuine);
- the invoice, claim etc. is arithmetically correct;
- where appropriate, Committee authorisation has been obtained to spend the money;
- expenditure is within the agreed budget.

b) Review and approve the document by email to the MGA to authorise the payment and hence BCS Finance will arrange for settlement to be made.

11.4 **Expenses Claims** – The MBFC has reviewed and updated the guidelines surrounding the submission of expenses claims for Member Groups. The guidelines to be adopted are:

- The guidelines for what is an acceptable expense is the same throughout the organisation, as specified on the second page of the form.
- Claims must be submitted in a timely fashion after incurring the expense, for two reasons: so that reimbursement is made as quickly as possible and so that the monthly accounts are as accurate as possible.
- It is not acceptable to “save up” expenses and submit a large claim covering many months of expenditure.
- Acceptable methods of submission:
  - **PREFERRED METHOD:** Complete the form in full (which must include name and full postal address) soft copy. Add bank details for BACS payments if NEW or AMENDED. If the same since the last payment, do not fill in. Email to the MGA, together with scanned in images of receipts to support all of the expenditure claimed (except mileage). Wording of email – “please accept my attached expenses for processing, **in the sum of £xxx relating to xxxx**”. The MGA then arranges the review and approval of the claim.



- OTHER METHOD 1: Complete hard copy, sign the form (bottom left) and post to the MGA in Swindon together with receipts to support all of the expenditure claimed (except mileage). The MGA then arranges the review and approval of the claim.
- OTHER METHOD 2: Complete hard copy, sign the form (bottom left) and hand to the Treasurer at a committee meeting together with receipts to support all of the expenditure claimed (except mileage). The Treasurer can then review and approve the claim, sign it and post to the MGA in Swindon. If the Treasurer is not available, then forward to the Chair or Secretary, who can review, sign and post to the MGA in Swindon.

11.5 Subject to the terms provided by the supplier, payments are normally made within 10 working days by BACS transfer.

11.6 Further advice on handling expenditure items is included in *The BCS Accounting Service*

## **12. Employing Paid Help (including administrative services)**

12.1 Member Groups must not enter into any contracts in their own right.

## **13. VAT**

13.1 Member Groups are part of the Institute and, as such, are covered by the Institute's VAT 'partial exemption' registration, which reflects the fact that a major part of the Institute's income comes from exempt supplies, principally member subscriptions and examinations. In practice this means that for most Member Groups expenditure we can only recover part of any VAT on suppliers' invoices. The proportion recoverable has to be calculated every 6 months. It is usually around two-thirds.

13.2 VAT is a complicated tax, which is subject to frequent amendment. The penalties for error in its treatment, to say nothing of negligence, are severe. It follows from this that any Member Group considering a revenue-earning activity of any kind should allow enough time in the planning process to seek advice from the MGA at BCS Swindon on the likely VAT status of that activity, and to make any administrative arrangements that may be necessary.

13.3 Appendix 2 provides a brief guide to the VAT liability of the various sources of Member Group income. Additional guidance can be requested from the MGA.

## Appendix 1

### The Budgeting Cycle – detailed information available at [www.volunteer.bcs.org/Funding\\_Budget](http://www.volunteer.bcs.org/Funding_Budget)

- February** Member Groups are invited to submit a financial plan. Deadline for submission will be advised in the Budget Pack email sent out each year.
- March** Groups draw up their initial financial bids detailing proposed activities and send completed financial planning forms to the Member Groups Team (MGT) to collate. The MGT will apply policy and consensual guidance to the proposals received, and provide feedback to Groups as necessary.
- April** First planning review meetings with Member Groups Finance Committee to do a first pass on the proposals, and comments from the MGT. Corrections made where necessary and final bid to Trustee Board prepared.
- May** MBFC agree Groups budgets for routine running costs and prioritise bids for project funding. Initial allocations made and an Unallocated Reserve created.
- Member Groups notified of agreed budgets for running costs and highest priority projects.
- June/July** Trustee Board meets to approve BCS budget. Final Member Groups Funds for the forthcoming financial year are confirmed.
- Member Groups are notified of agreed supplementary funding (additions to running costs initially withheld, 'second priority projects) in the light of the confirmed budget from Trustee Board.
- 1 September** Start of new financial year.
- September-August (Year +1)**  
MBFC consider requests for additional funding (projects not previously agreed, new projects, potential overspends) from the Unallocated Reserve and from the recovery of any previously allocated funds not required.
- February (Year +1)** Cycle starts again
- 31 August** End of financial year.

## Appendix 2

### VAT Liability of member Groups Income

Source of Income	Description	VAT Liability	Authority (VAT Act 1994)	Notes
Swindon Allocation	Funding received from BCS Swindon	Disregarded for VAT purposes	Section 43	Internal VAT Group transaction
Conferences, Events, Meetings and Seminars		Standard rated	Section 4	Includes tickets for an annual dinner etc.
Sponsorship	Sponsor receives benefit i.e.: Advertising	Standard rated	Section 4	Most sponsors of a BCS event receive advertising so BCS are making a supply of advertising services
	Donor/Donation receives no benefit	Outside the scope		
Publications	Paper format	Zero rated	Item 1 Group 3 Sch 8.	Advertising in Group's publications – standard rated
	Electronic format	Standard rated		
Any other income		Depends on purpose – most sources are likely to be standard rated		Check with BCS Member Groups Accountant, Swindon