

The Kennet and Avon Canal Trust

FINANCE MANUAL

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Responsible Trustee: Jerry Dixon

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I. Introduction

- I.1. This Manual sets out the main financial procedures relevant to The Kennet and Avon Canal Trust ('Trust')
- I.2. Trust is a private company, subject to the provisions of the Companies Act 2006 and other legislation such as tax and employment law. The Trust is a charitable company, limited by guarantee, which is required in addition to meet more stringent provisions as set out in the Charities Act 2011. The Trust also has to operate in accordance with its Articles.
- I.3. In the past the Trust had a subsidiary trading company – The Kennet and Avon Canal Trust (Enterprise) Ltd. In 2024 the Trustees decided to close down Enterprise, absorbing its activities into the Trust. This happened at the end of 2024 so from Jan 1st 2025 the Trust is the only legal entity for our activities.
- I.4. The procedures set out in this Manual are designed to ensure compliance with charity, tax and company law, and any other applicable legislation, but without being unduly onerous. All staff and volunteers both centrally and in branches whose duties include handling receipts and incurring expenditure and authorising invoices and expenses should be familiar with the contents of the Manual.
- I.5. The contents of the Manual will be reviewed at least annually. Suggestions for future versions of the Manual should be addressed to the Trust Treasurer (fd@katrust.org.uk).
- I.6. Any queries about the issues covered in the Manual, or about financial matters not covered, should be addressed in the first place to the Finance Officer (finance@katrust.org.uk).

2. Budgets

- 2.1. The Trust exists in order to deliver its charitable objects. The process of setting budgets and monitoring against them is fundamental to good financial management.
- 2.2. Budget bids for income and 'revenue' expenditure (ie costs not treated as capital expenditure, which is covered in section 3) are prepared by branches, and approved by the Trust Council.

(a) Preparation of budgets

- 2.3. Branches will be provided with a budget spreadsheet which identifies different types of income and expenditure, with a monthly profile. Income should be shown in the month in which it is expected to be received; expenditure should be shown in the month in which it is expected to be incurred. In the case of expenditure which is invoiced to Trust or reclaimed through expenses, the timing should reflect the expected date of the invoice or expenses claim.
- 2.4. To assist with the preparation of budget bids for the following year, branches will be provided with a spreadsheet showing actual costs to date in the current year, and budgeted costs for the remainder of the current year. Medium term business plans will be developed for Trust to provide additional guidance on target trends in costs and revenues.
- 2.5. Branches should identify in a commentary provided with the bid spreadsheet:
 - the effect of 'one off' items (ie costs which are not incurred every year, which may therefore increase or decrease the budget bid);
 - 'quantity' changes (for example where a change in visitor numbers is being projected);
 - changes in costs or revenues which are expected to be different to the underlying rate of inflation; and
 - any other matter likely to have a material impact on the budget.
- 2.6. Budget spreadsheets will generally be issued in September each year. Completed bids should be returned by the end of October, to allow for consideration of total bids at the Trust Board meeting in November. Budgets will be confirmed in December, to be in place before the start of the financial year.

(b) Monitoring and review of budgets

- 2.7. Summaries of actual income and expenditure (by Branch) as compared with budgets will be provided monthly by the Trust Treasurer to the Trust Council.
- 2.8. Reports for individual Branches will be issued by the Finance Officer to the relevant Branch. Any issues or queries should be raised with the Finance Officer in the first place.
- 2.9. A mid-year review of all budgets will be carried out in July by the Trust Treasurer and reported to the Trust Board. If this results in a change to approved budgets, this will be notified to Branches normally by the end of July.
- 2.10. Underspent budgets only carry over to the following year with the agreement of the Trust Board.

3. Capital expenditure and projects

- 3.1. Expenditure on new assets and the replacement or enhancement (as opposed to maintenance) of existing assets are classified as capital expenditure. Maintenance expenditure and all items below £1,000 are treated as 'revenue' expenditure and should be included in budgets as described in section 2.
- 3.2. A Business Case must be prepared for all capital expenditure proposals and major one-off revenue costs. A template is included at Annex 1, with a Word version on the Trust website. The Trust Treasurer can provide advice on the completion of the Business Case, and in particular the detail and supporting evidence required, which will depend on the scale of the expenditure and the benefits to the Trust.
- 3.3. No tenders should be sought for a project, or any expenditure incurred or firm commitments made, until a Business Case is approved by the Trust Board and the amount requested included in the capital budget.
- 3.4. If planning for a project requires some assurance that the financial commitment will be made, an initial Business Case should be submitted. If accepted, the estimated expenditure will be reserved for the project in the capital budget. However, the provisions of paragraph 3.3 will apply until the final Business Case is approved, unless development funds are requested and approved.
- 3.5. Wherever possible, capital bids should be made, with a supporting Business Case, at the same time as other budget bids are submitted. If, exceptionally, capital expenditure approval is sought for expenditure within the current financial year, this should be notified to the Trust Treasurer as soon as possible, in order to agree the process and timescale for developing and agreeing the Business Case.
- 3.6. Approval of capital expenditure is a matter reserved to the Trust Board. Approval can, if necessary, be given in correspondence.
- 3.7. The Business Case template may also be useful in making the case for one-off revenue expenditure proposals, such as events or consultancy.

4. Incurring expenditure

(a) Expenditure included in approved budgets

- 4.1. Where expenditure is included in approved revenue or capital budgets, no further approval is required before incurring that expenditure provided that one of the following apply:
 - 4.1.1. the expenditure is for a regular supply of goods or services, and there is either no choice of supplier or the supply has been market tested within the last three years;
 - 4.1.2. in other cases, where there are alternative suppliers, prices have been compared to ensure best value, for example by checking online, and one of the following apply
 - the expenditure is under £500; or
 - the expenditure is under £1,000 and the proposed supplier has been agreed with the Trust Treasurer or, in the case of boat-related expenditure, the Director, Boat Operations .
- 4.2. If expenditure on a single item exceeds £1,000, formal quotes should in normal circumstances be obtained from three suppliers, although it is recognised that this may not always be feasible. Where fewer than three quotes are obtained, the reasons for this must be documented. Approval of the proposed supplier and cost to be incurred must be agreed by the Trust Treasurer. The Trust Treasurer will consult at least one other Trustee where the amount involved exceeds £5,000.
- 4.3. It is recognised that the cheapest quote may not represent best value. If the cheapest quote is not accepted, the reasons for this must be documented.
- 4.4. For supplies of services, it will often be appropriate to interview potential suppliers.

(b) Expenditure not included in approved budgets

- 4.5. Approval must be sought in advance before incurring expenditure on capital or revenue expenditure items not included in budgets even where these are covered by additional income such as donations.
- 4.6. Unbudgeted expenditure up to £1,000 can be approved by the Trust Treasurer. Any unbudgeted expenditure over £1,000 must be referred to the Trust Treasurer who will seek the agreement of the Trust Board, in correspondence if the expenditure is urgent.

(c) Approval of purchases and contracts

- 4.7. All purchases should be in accordance with the following Procurement Policy Statement:

Procurement policy statement

In evaluating proposed procurement, Trust will consider the quality of what is offered (which might include, for example, date of delivery, the skills of the contractor's staff and their approach) and the whole-life cost (including, for example, the cost of consumables, training, licences, disposal) over the life of the contract or asset.

Trust will proactively encourage diverse suppliers to participate in our procurement exercises. In accordance with relevant legislation and best practice, our procurement process will be transparent, objective and non-discriminatory in the selection of its suppliers.

Trust are committed to promoting the conservation and improvement of the environment.

The policy on Sustainable Procurement is:

- To comply with environmental legislation and regulatory requirements;
- To promote environmental awareness amongst suppliers and contractors;
- To buy less environmentally damaging products and services;
- To consider environmental factors when making procurement decisions; and
- To develop awareness of environmental issues within the organisation.

- 4.8. It is important that all supplies are made under appropriate terms and conditions. Where payment is made in advance of supply, or on the basis of a contract, these should for example specify payment terms (ideally with a retention), set out the rights of the purchaser if goods or services are not supplied or are not of the quality expected, and include appropriate provisions in respect of termination of the contract and handling of disputes.
- 4.9. For many supplies, the supplier will have standard terms and conditions. It is the responsibility of the person placing the order to review these. Advice can, if required, be sought from the Trust Treasurer.
- 4.10. For all one-off purchases over £1,000, including both supplies of goods and services and service contracts, the purchase must be approved by the Trust Treasurer before it is placed. All requests for approval for such purchases should set out how the proposed purchase meets the terms of the Procurement Policy Statement, in particular in relation to sustainability. The Trust Treasurer will consult at least one other Trustee where the amount involved exceeds £5,000.

(d) Invoicing

- 4.11. Suppliers should in all cases be asked to invoice The Kennet and Avon Canal Trust. If payment is required in advance, either a proforma invoice should be obtained and sent, after authorisation, to the Finance Officer for payment, or the Finance Officer (who holds a Trust debit card) should be asked to make a card payment.
- 4.12. Where a supplier is registered for VAT, a VAT invoice is required. This should include VAT registration details and the rate of VAT applicable to each supply.

(e) Use of debit cards

- 4.13. A Trust debit card is held by the Finance Officer. This may be used for purchases requested by Branches in accordance with the provisions of the Finance Manual. In particular, any approvals required for the purchase should be obtained before the procurement request is made.
- 4.14. For any purchase using the debit card exceeding £100, the Finance Officer will seek the agreement of one of the signatories to the Trust bank account, normally the Trust Treasurer.

Expenditure incurred directly by volunteers

- 4.15. For small value items, individual volunteers may wish to pay directly and reclaim the amounts involved. Unless approved in advance by the Trust Treasurer, the limits for purchases chargeable to Trust are £75 for a single item and a maximum total claim of £200. The only general exception to this limit is in respect of payment for crew medicals.

- 4.16. This limit may be increased for individual volunteers to a maximum of £250 per item, and £1,000 in total but only on the basis of a written delegation from the Trust Treasurer. This higher individual delegation may be withdrawn at any time.
- 4.17. Claim forms are available from the Finance Officer.
- 4.18. Till receipts should be provided in all cases with the claim for reimbursement. Where a volunteer is also making personal purchases, separate receipts should be obtained so that only Trust purchases are included on the submitted receipt. Claims not supported by receipts or invoices will not be reimbursed. Claims will be paid by bank transfer to the volunteer's bank account.
- 4.19. To reduce the need for individuals to incur expenditure on behalf of Trust which is then reclaimed, Branch Chairs may apply to the Finance Officer for a cash float of up to £200. No individual item above £50 may be purchased in cash. The float will only be topped up when receipts for expenditure are provided to the Finance Officer.
- 4.20. Any cash income received by the Branch must be banked (see section 6). Under no circumstances should cash income be used to meet cash expenditure, or to top up the float. This requirement reflects Charity Commission guidance.

(f) Policies for expenditure on volunteers

- 4.21. **Travel Expenses.** In accordance with the Volunteer Handbook, travel expenses are not normally paid to volunteers for travelling to and from a volunteer location. Claims will only be accepted where this has been agreed by Trust Council.
- 4.22. **Refreshments.** Provision of food and drink for volunteers whilst taking part in Branch activities is generally at the discretion of Branches.
- 4.23. **PPE and Uniforms.** Trust will provide all necessary Personal Protective Equipment (PPE) in line with Health and Safety law. Provision of uniforms for volunteers is generally at the discretion of Branches.
- 4.24. **Volunteer Support.** Cards/gifts to recognise volunteer contribution, illness or other personal challenges are generally at the discretion of Branches. Contributions to leaving gifts may be available from the President's Fund, which is administered by the Trust Chair, and all requests should be made to them.

(g) Management of expenditure on volunteers

- 4.25. Budgets for expenditure on volunteers should be included in the Annual Budget under the headings above.
- 4.26. Unless the Branch has an agreed and documented policy in place, any expense on volunteers should be pre-approved by a Branch Official (for example, the Secretary Chairman or Boat Manager) before being incurred.
- 4.27. Approved claims from volunteers, and claims from staff, should be submitted on the expenses claim form and authorised by a Branch official (for example, the Secretary, Chairman or Boat Manager), before being passed to the Finance Officer for payment.

5. Authorising and paying invoices

- 5.1. Before being passed to the Finance Officer for payment, all invoices must be approved by a Branch official (for example, the Secretary, Chairman or Boat Manager) to confirm that the supplies or services have been provided and are to the required standard.
- 5.2. Payments to staff or volunteers, for example where low value items have been purchased directly, also require approval. Self-approved claims will not be accepted. Claims from volunteers and staff in Branches should be approved by a Branch official in the same way as invoices. In the case of Trustees claims should be approved by another Trustee - normally the Trust Treasurer or Chairman, even if the claim relates to Branch rather than Board activities.
- 5.3. Where possible the cost code to which the expenditure should be allocated should be indicated, although the final decision on coding is for the Finance Officer. Any queries about the relevant cost code should be raised with the Finance Officer. Requests for additional cost codes should also be addressed to the Finance Officer.
- 5.4. The policy of the Trust is to pay all invoices and expenses claims within 30 days, and within seven days of acceptance by the finance team, unless alternative terms (eg stage payments) have been agreed with the supplier when the purchase is made.
- 5.5. An invoice or claim is 'accepted' when a properly approved invoice or claim, with relevant supporting evidence such as receipts, has been received by the Finance Officer and any queries have been resolved. The person approving the claim should therefore ensure that the invoice or claim is checked and authorised, and passed to the Finance Officer with supporting documentation, within 21 days of receipt. This should, wherever possible, be done electronically; hard copies of receipts are not required in addition to electronic copies.
- 5.6. Any approved invoice or claim which is not received and accepted by the 5th of the following month (or the first working day thereafter) will be recorded in the management accounts for the following month.
- 5.7. Payments will wherever possible be made by bank transfer. Cheques will be used only where this is not possible.

- 5.8. All bank transfers and cheque payments require authorisation by two people named on the bank mandate. The Finance Officer will normally set up all payments and act as the first authoriser. A director of the Trust, normally the Trust Treasurer, will act as the second authoriser for all payments. For one-off payments over £5,000, the second authoriser will consult at least one other director before authorising payment unless the payment has been identified and approved at a prior Board meeting.
- 5.9. Those authorising payment must satisfy themselves of the following:
- that the invoice has been properly approved, confirming that the goods or services have been provided, or that there is other evidence that the payment is appropriate (e.g. pay slips for salaries); and
 - that the bank payment details are correct (amount, payee account details etc).
- 5.10. Payments should not be authorised if there is any doubt about the legitimacy of the payment.

6. Income and cash handling

- 6.1. Most Trust income is paid direct to the Trust bank account, either by direct debit, bank transfer or cheque. This includes membership subscriptions, most grant receipts (in particular from the National Lottery Heritage Fund) and pre-booked boat trips.
- 6.2. Where income is received in cash, it is particularly important to distinguish between the following:
 - 6.2.1. donations, which are charitable income;
 - 6.2.2. entrance fees at Crofton, which are charitable income and exempt for VAT purposes;
 - 6.2.3. boat fares, and sales of books and maps, which are zero rated supplies;
 - 6.2.4. hire of Bruce Boats, which is a standard rated supply (though may be eligible for a disabled exemption); and
 - 6.2.5. catering sales, which are subject to VAT at the standard rate.
- 6.3. Any Charity Commission or VAT inspection will expect to see clear documented procedures for separating these income streams, and evidence that those procedures are being followed.
- 6.4. To ensure proper separation between charitable and trading income, all donations should be placed, normally by the donor themselves, in the donation boxes provided for that purpose, or in a sealed Gift Aid envelope.
- 6.5. If a Gift Aid declaration is signed, the Trust can reclaim 25% of the value of the donation from HMRC. This declaration can be given in a number of ways, but must be recorded. Forms and donation envelopes have been provided at Crofton and on boats for this purpose, and additional supplies are available from the Devizes Office.
- 6.6. Donation pots on boats may be opened locally on the following conditions:
 - 6.6.1. that cash sheets for all public trips are signed by the two people cashing up;
 - 6.6.2. that till rolls for cash sales distinguish between catering sales (standard rated for VAT), boat fares and retail sales, and are attached to the cash sheets;
 - 6.6.3. that cash sheets are sent to the Devizes office at the end of the year so that they are available for review by the auditors.
- 6.7. All other cash receipts should be counted by two people, who should sign the cash book confirming both the total amount, and the amount attributable to standard rated and zero rated sales. Cash should be banked as soon as practicable in the Trust current account (see section 7), and a record sent to the Finance Officer as soon as a deposit is made.

7. Banking and investment

(a) Current accounts

- 7.1. Trust has a current account with Lloyds Bank.
- 7.2. In order to ensure proper internal financial controls, to maximise opportunities to earn income on deposits, and to minimise bank charges, branches will not normally operate their own current accounts. Exceptions to this, including retention of existing accounts, must be agreed by the Trust Council.
- 7.3. Dormant accounts should be closed to minimise the risk of fraudulent activity.

(b) Investments

- 7.4. Under the terms of the Investment Policy agreed by Trust Council, balances may be held in interest bearing accounts and notice accounts. These will be managed to ensure that there are sufficient funds to meet commitments. Additional accounts will be opened where this provides financial benefit to the Trust and/or reduces financial exposure, and is consistent with effective cash flow management. The approval of the Trust Board is required before new accounts are opened.
- 7.5. All new current accounts will, unless precluded by the terms of the accounts or agreed by the Trust Board, require two people to authorise payments.
- 7.6. The current Investment Policy does not permit investment in shares.

8. Fundraising

- 8.1. As well as complying with charity and tax law, other legislation applies to other financial matters, in particular fundraising. For example, some lotteries require approval by the Gambling Commission, and all fundraising is subject to oversight by the Fundraising Regulator.
- 8.2. All fundraising must be in the name of the Trust. Donations made on boats must be kept separate from trading income (fares, catering and other retail sales).
- 8.3. Branches must consult the Trust Treasurer before engaging in any new type of fundraising, launching an appeal for funds or applying for grant funding. The Treasurer who will consult other Trustees and seek legal advice as necessary to ensure compliance with all legal requirements, consistency with the Trust's charitable objects, and consistency with other Trust fundraising activities.
- 8.4. Although fundraising income will be designated to the Branch responsible, all appeal literature should make it clear that the use of funds raised will ultimately be at the discretion of Trustees. This is to avoid creating a Restricted Fund.
- 8.5. Grant income will often be Restricted to a particular project. Grant acceptance letters must be signed by a Trustee, normally the Trust Treasurer, so that the terms of the restriction can be noted and the necessary accounting entries made in the statutory accounts in accordance with Charity Commission requirements.
- 8.6. If a donor wishes to place a restriction on a donation, the donation should not be accepted until the proposed terms have been discussed and agreed by the Trust Treasurer. This is to avoid the creation of a 'failed appeal', which would require the donation to be repaid.

9. Financial risk management

(a) Policies

- 9.1. Trust Council has agreed, or will shortly agree, the following finance policies:
 - Reserves Policy;
 - Investment Policy;
 - Risk Management Policy.
 - Fixed Asset Policy.
- 9.2. These policies will be published on the Trust website, and will be reviewed at least annually.
- 9.3. Under the terms of these policies, the Trust Treasurer will maintain corporate risk registers for Trust to identify the financial and non-financial risks which might arise. The Trust Board will review the risk register at least twice a year, normally in January and July.
- 9.4. Any financial commitments for projects not included in agreed budgets will be noted in the risk register.
- 9.5. The Trust Treasurer will carry out a review of Internal Financial Controls annually, and report the outcome to Trustees and to the auditors.
- 9.6. Specific investigations into financial controls may be undertaken at any time. This will include, in particular, any issues identified by the Independent Examiners.

(b) Management of debtors and creditors

- 9.7. The Finance Officer and Trust Treasurer are responsible for management of debtors and creditors, in accordance with agreed operational procedures.
- 9.8. Payment terms for invoices issued by Trust are 30 days from the date of the invoice. Invoices will normally be sent electronically.
- 9.9. The Finance Officer produces a report at the end of each month for the Trust Treasurer identifying aged debtors.
- 9.10. If an invoice from a supplier or claim from a member of staff or volunteer is queried by the finance team, the amount in question will be recorded as a creditor. The Finance Officer produces a report at the end of each month for the Trust Treasurer identifying aged creditors.

Annex I: Business Case template

1	Branch	
2	Title	
3	Summary Proposal Description	
4	Relevant charitable objects	<p>Conservation, protection and improvement of the canal and structure</p> <p>Advancement of education on the significance of the canal</p> <p>Protection and conservation of sites and objects in the vicinity of, or associated with, the canal</p> <p>Promotion and facilitation of recreational use of the canal</p> <p>(please delete as appropriate)</p>
5	Relevant Trust policies, indicating how they have been reflected in the proposal	
6	Summary business case	
7	Options appraisal: options identified, case for preferred option	
8	Costs: capital and revenue by calendar year; total commitment sought	

9	Staffing requirement: paid and volunteer	
10	Benefits	
11	Main risks including safety issues where relevant	
12	Supporting documents attached	
13	Anticipated start date and completion date	
14	Implementation: Project Manager; reporting arrangements	

Form completed by

Date

Guidance Notes

1. Specify the Branch putting forward the proposal
2. A short title which will be used consistently in all references to the project.
3. A fuller description which indicates the main work to be done and the main outcomes to be achieved.
4. Indicate which of the Trust's charitable objects are supported by the proposal. (More than one can be identified.)
5. Identify the Trust policies which are relevant to the proposal, and how they have been reflected in the proposed approach. This should include, in particular, the impact on accessibility, heritage and the environment.
6. Summarise the business case in terms of costs, benefits and risks.
7. Identify all options considered, which should always include the 'do nothing' option, and the main reasons for choosing the preferred option.
8. Bids for each of the years should be shown separately for each year. Figures should be in cash terms, ie including expected cost increases in future years. Capital costs should include one off project start-up funding and revenue costs to be split between pay and non-pay where relevant. Figures may be supplied in a supporting spreadsheet if preferred.
9. Identify staffing requirements, including any proposal to employ new staff (and the terms of that employment) and availability of volunteers.
10. Main service and organisational benefits to be delivered, both financial (to be specified by year) and in terms of charitable objects. Non-financial benefits should be quantified wherever possible (eg number of people benefitting from the proposal).
11. Main risks associated with delivery of the project to achieve the expected outcomes. These should include time and cost risks, safety issues etc.
12. Supporting documents should be referenced here and attached to the proforma before submission for consideration and approval. These are likely to include documents to support the assessment of costs and benefits etc.
13. The month and calendar year in which the project is expected to start and when it will finish.
14. Clearly stated arrangements for implementation including lead managerial responsibility.