



WAGGGS' POLICY ON FINANCE

Introduction

WAGGGS believes that:

“A Full Member of the World Association is a National Organization working in the true spirit of the Girl Guide/Girl Scout Movement, which shall:

- i. carry its share of responsibility as a Member of the World Association
- ii. pay annually the agreed membership quota to the World Association.”
- iii. apply its funds and assets for the implementation of the object of the Girl Guide/Girl Scout movement and not for the profit of any person.

WAGGGS' Constitution Article V – Condition of Membership

WAGGGS is working to support National Organizations in the field of fund development and financial management.

Policy

WAGGGS believes that in order to fulfil its Mission sound financial management is necessary at all levels in National Organizations.

Explanation

In order to achieve this it will be necessary for Member Organizations to consider:

◆ **The importance of legal, public and internal accountability**

In order to satisfy stakeholders and maintain their confidence National Organizations should ensure that accurate financial information is readily available to stakeholders. The financial status of the Association and the way it is perceived to utilise the funds should reflect effective financial management. All income, expenditure, assets and liabilities should be recorded and disclosed in accordance with sound accountancy practices and principles.

In some countries it is a legal requirement to have audited financial statements. Where this is not applicable the financial statements should be reviewed by an independent, qualified financial expert.

◆ **The need to link finance with strategic planning**

Strategic planning involves highlighting and prioritising the activities that the National Organization will undertake in a given time and the budgetary implications. It is therefore important that the “Strategic Plan” is a fully costed plan reflecting the finances available and how these will be utilised to achieve the plan. There is no limit to the good work which could be done so it will be necessary to prioritise and to identify work which could be funded from other sources.

◆ **The importance of diverse sources of income including fundraising**

For most Associations subscriptions or membership fees are fairly fixed and inflexible and do not give enough scope for greater increases in income. Paying the membership fee is the responsibility of each member but not all members are in a position to do so. Therefore



the need for diverse sources of income is crucial. This can be achieved through:

- fundraising
- grant application
- investment income
- marketing/income generating activities

To raise money externally will require that the activities of National Organizations are presented in an attractive way in order to demonstrate the value of the work. When money has been raised from external sources it is vital that it is possible to demonstrate that the money has been well spent.

◆ **That membership of the World Association carries financial obligations**

The payment of quota is a responsibility of all Members of the World Association who benefit from the services offered. Failure to fulfil these responsibilities to pay quota could result in the loss of privileges of membership.

◆ **Promoting financial responsibilities at all levels, starting with the girls and young women.**

One aspect of developing the individual is to promote financial self-sufficiency and responsibility as part of the training. National Organizations should therefore include financial self-sufficiency and responsibility in all their trainings.

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GUIDELINES ON FINANCE



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GUIDELINES ON FINANCE



1. Introduction

1.1 Why do we need Guidelines?

These Guidelines on Finance have been prepared for the many individuals working within National Organizations who make day to day management decisions about money in terms of where to get it and how to spend it.

The Guidelines are meant to present the key principles and obligations associated with budgeting and accounting, bookkeeping, fundraising and financial control, in a way which is appropriate and useful for the development and performance of financial tasks.

The overall objectives of the Guidelines are:

- ◆ to ensure active and competent financial management
- ◆ to encourage clear and open ways of managing money
- ◆ to build confidence in the reader that the systems and procedures they use will build towards good financial health in the long term as well as the immediate future
- ◆ to make people accountable for their actions
- ◆ to assist National Organizations in implementing WAGGGS' Policy on Finance.

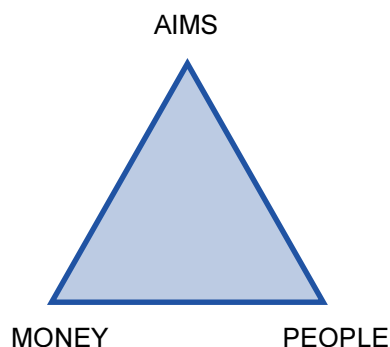
1.2 Identifying priorities

Few charities, and WAGGGS is no exception, have sufficient resources to do everything they would wish. Money, as one of the organization's key resources, must be handled carefully and spent in a way that most furthers the aims of the organization.

To do this we must all ensure that we are clear about what our responsibilities are and to whom we must supply financial information, in order to demonstrate that money is being handled efficiently and effectively. This means justifying the decisions that we make and prioritising the way that money is spent.

1.3 Getting the balance right

As with all organizations, we have to make decisions about how we balance the skills of the people we work with, the money we have and our aims in terms of what we hope to achieve.



Keeping these in balance is an important skill which we are constantly improving upon.



2. The importance of legal, public and internal accountability

2.1 General issues – responsibility and accountability

Put simply, financial **responsibility** means:

- ◆ only taking on obligations the organization can meet
- ◆ being sure the organization has enough money to pay its bills on time
- ◆ actually paying the bills on time
- ◆ keeping proper records of all money which comes into or goes out of an organization.

Accountability involves being clear about who has the right to know what the organization is doing with its money and how much control those people have over financial decisions. Therefore staff and volunteers may have responsibility for bookkeeping but will be accountable to the treasurer or finance sub-committee. The committee in turn is accountable to its membership, perhaps to other funders.

Keeping proper records is an important aspect of both responsibility and accountability and should allow us to show at any time how much money has been received or spent, when or where the money was obtained or expended, what it was spent on and why. Accurate recording ensures that all income due is received and that people spend money in the best way for the organization in achieving its aims.

2.2. Basic Principles

2.2.1 Keeping Records

The keeping of proper records of all money that comes into and goes out of an organization is essential for many reasons:

- ◆ to allow those running the organization to assess periodically whether the amount that we plan to spend will be covered by the predicted income
- ◆ to control those who spend money
- ◆ to allow assessment of whether money is being spent in a way which best serves the needs and aims of the organization
- ◆ to meet legal and regulatory obligations (e.g. a charity registered in the UK must send its accounts to the Inland Revenue [the tax department] if it claims any of the tax benefits on offer to charities and must submit annual accounts to the Charity Commission)
- ◆ to give confidence to the providers of finance and to members that the organization is being well managed.

The detail in which financial information is recorded can range from a simple cash summary (basic receipts and payments) to detailed management accounts (including how much the organization owns [its assets] and owes [its liabilities] and is owed).

Each organization must determine the detail which it requires and can afford but certain basic principles do not change and procedures must be incorporated to ensure that they are adhered to:

- ◆ all monies due to the organization (income) must be recorded
- ◆ the way in which cash is spent and received must be recorded
- ◆ from these cash records, summaries or full accounts can be produced periodically to ensure spending is matched by income



- ◆ these records must be examined regularly by people independent of those responsible for receiving and spending cash

Another word for the recording of money in and out of an organization is bookkeeping. At its simplest it requires that records are kept in a cash book.

- ◆ all money in and out should be recorded here
- ◆ actual cash in hand should agree with the amount shown in the cash book.

2.2.2 What about liabilities?

Liabilities are everything that an organization owes and may include:

Current liabilities – such as money owed to creditors, where work has been done or goods supplied but not yet paid for and grant money received in advance of a project.

Long term liabilities – e.g. loans, provisions for a liability which is building up.

All liabilities must be recorded so that at any time, the organization can find what it owes.

It is necessary to constantly assess the cash in hand and due to be received to see that this will be enough to meet bills and cash expenditure in the future.

2.2.3 Protecting your assets

Assets are things of value owned by an organization. The following are all assets:

Fixed assets – e.g. land, buildings, computers, vehicles. The value of fixed assets is worked out and adjusted every year. This will be based on depreciation.

Current assets – these are cash or items readily convertible to cash and principally consist of cash, memberships due and items for sale.

Assets must be protected:

- ◆ Title Deeds and documents of ownership must be safely stored
- ◆ key assets, particularly properties should be insured
- ◆ cash in hand should be kept to a minimum and safely stored.

2.2.4 Introduce good financial practices

Without transparent procedures, organizations can run into difficulty over finance. There are some simple rules to abide by:

- ◆ Insist that people who spend cash obtain vouchers to support this. If no voucher is obtainable people must make their own note at the time as to how the money was spent and have this approved.
- ◆ Where surplus cash is placed with a bank it should be one well known to the organization. Do not be tempted to high interest rates offered by banks with whom you have not had dealings. Charitable organizations should rightly be cautious about where they invest cash.
- ◆ All cash not in immediate use should be put in a bank to protect funds from theft, mismanagement and because banks pay interest. To open a bank account, you will probably need:
 - specimen signatures of authorised people (three office-bearers)

You may also need:

- the constitution of the organization
- minutes of a meeting authorising the opening of the account.
- ◆ When money is paid in, the bank's paying-in slip provides proof that the money has been banked.
- ◆ Cheques should be signed by authorised people who should be people easy to find when the signing of cheques is needed.
- ◆ Cheques should be treated as cash for recording purposes.
- ◆ A cash book with a banking column can be kept to keep a running total of how much money is in the bank.



2.2.5 Monitoring and Audit

- ◆ The summaries of financial records or accounts should clearly show stakeholders the financial position of the organization. They should be reviewed and approved by persons in the organization who are not directly responsible for day to day financial decisions. This often means comparing actual expenditure with planned expenditure (the budget). This is particularly easy to do when budgets and accounts are computerised as they can be regularly and automatically updated.

In some organizations, accounts may also be checked by an independent firm of accountants or an independent financial assessor. This is termed an audit.

An audit is an independent report which covers:

- ◆ how much money the organization received and spent in the financial year and what for
- ◆ whether the money was spent in accordance with the constitution, decisions of the management committee or other governing body and funders' requirements
- ◆ whether the accounts were properly and honestly kept
- ◆ the value of its assets
- ◆ how the financial record-keeping system could be improved.

2.2.6 Assessing your own Accounts

When looking at your own accounts to assess the financial health of your Organization, you should ask the following questions:

Income:

- ◆ Do you understand broadly where income has come from?
- ◆ Are there separate categories to differentiate income sources or is too much lumped together into meaningless categories such as 'miscellaneous'?
- ◆ Are there amounts which seem to you too large or too small (for example, a tiny amount for 'fundraising' when you know the organization has had several successful fundraising events)?
- ◆ If figures for a comparative period are available, is current income broadly in line with them? If not, why not?
- ◆ If budget figures are given, is actual income broadly in line with budgeted? If not, why not? Does the organization need to take steps to generate more income?
- ◆ Has all pledged income for the period been received? If not, what is being done to rectify the situation?
- ◆ Is grant income recorded separately?

Expenditure:

- ◆ Do you understand broadly where the expenditure has gone?
- ◆ Is there too much lumped into a meaningless category, such as "other" or "sundry"?
- ◆ Are there any amounts which seem to you too large or too small (for example, a huge amount spent on phone and postage or on cleaning costs)?
- ◆ If figures for a comparative period are available, is current expenditure broadly in line with them? If not, why not?
- ◆ If budget figures are given, is actual expenditure broadly in line with that budgeted? If not, why not?
- ◆ Are there any major items of expenditure which may occur during the year but have not yet been budgeted for?
- ◆ Is expenditure related to grant income only spent according to the terms of the grant?

If the National Organization is to survive and be healthy, the income must be in line with, or more than, expenditure.

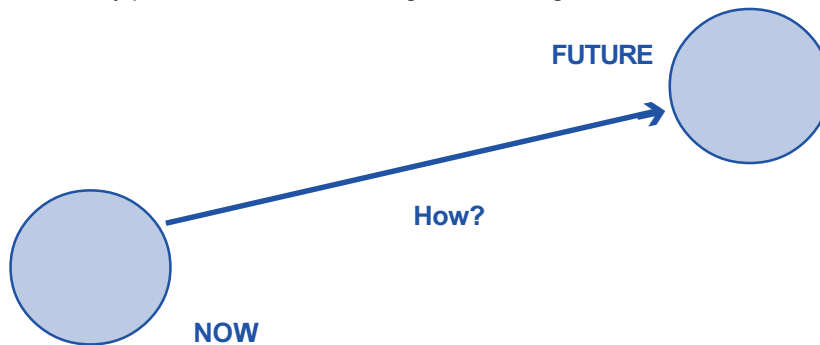


3. The need to link finance with strategic planning

3.1 Features of a Strategic Plan

A strategic plan is a shared vision of your Organization's future and the major steps you will take to move the Organization in that direction. The process of strategic planning determines:

- (1) **What** your Organization intends to accomplish, usually expressed as goals and
- (2) **How** you will direct the Organization and its resources towards accomplishing these goals over the next several years. Key amongst these resources is money and an important part of the strategic plan must be to make sure that money is spent in the best way possible to meet the Organization's goals.



At a basic level, therefore, any organization must consider:

- ◆ What is the organization trying to achieve? (goals may not be "financial" but may be quantifiable e.g. target number of members)
- ◆ How will it measure its performance in meeting those goals?
- ◆ What realistically will be the resources needed in terms of money and people's time to carry out the strategic plan?
- ◆ Given that few organizations have all the resources they would like, how are priorities to be established?

Finance is only part of the picture as the strategic plan's goals will not be measured in terms of financial performance in the way a commercial business is. However, one thing is certain, if the organization runs short of money, it is unlikely to be able to meet its defined goals and the plan may fail.

A simple budget consistent with the strategic plan of the organization is therefore important.

3.2 Developing a Budget

3.2.1 Definition

A budget is a table of figures showing the monies which the organization expects to receive (income) and how they will be spent (expenditure forecast) for a fixed period (usually a year).

3.2.2 Purpose

The budget is your written financial plan. Its purpose is:

- ◆ to ensure that resources are available to carry out activities as set out in the strategic plan
- ◆ it shows the sources of finance



- ◆ it sets out realistic estimates of all the costs you expect to incur
- ◆ it provides a monitoring tool that allows comparison between actual costs and budgeted costs.

3.2.3 Process

The budget requires the following stages:

- ◆ Evaluate what financial resources the organization has in hand at the start of the year.
- ◆ Determine to what extent these could be used (if annual income fell or expenditure was exceeded) before action would be needed to cut costs.
- ◆ Decide how much of the annual income the organization can afford to set aside as a surplus. Without some buffer or surplus cash, an organization's ability to deliver programmes may suffer if there is a fall in income or sudden unexpected cost. It is wise to start to build a surplus gradually by not spending all of the annual income each year.
- ◆ Estimate how much income can be expected next year from existing and potential sources.
- ◆ Assess the degree of certainty of these income sources? This must be done before setting expenditure plans. Total expenditure should be set at levels which can be covered by a level of income which the organization has consistently achieved. There could be special factors to support a higher level, such as clearly defined new sources of income with realistic estimates.
- ◆ The level of expenditure (broken down into appropriate headings) should be planned for the year.
- ◆ Cash flow must also be planned. This means looking at the timing of receipts and payments to continually check that the money is not going to run out. For example, an organization with £200,000 of income and only £100,000 of expenditure can still go bankrupt if the income is not due until the second half of the year but the expenditure is committed in the first half.

3.2.4 Budget categories

Budget categories are the headings under which you allocate costs. Often an organization has its own worked out set of costing categories; sometimes donor organizations impose their own. An example of a budget expenditure category breakdown is provided below but this is not a blueprint. Budgets are most useful when they most closely match the reality of the specific organization to which they belong.

Budget categories:

- I PERSONNEL (salaries/wages)**
 - professional staff
 - administrative/support staff
 - paid consultants
- II SUBSISTENCE**
 - employees
 - volunteers
- III INTERNATIONAL TRAVEL**
- IV LOCAL TRAVEL**
- V CAPITAL COSTS AND EQUIPMENT**
 - vehicle
 - computers
 - fax machine
 - photocopier



- VI RUNNING COSTS
 - office rent
 - office supplies
 - telephone
 - postage
 - utilities
 - electricity
 - water
 - VII TRAINING AND WORKSHOPS
 - VIII EDUCATIONAL PROGRAMME MATERIALS
 - X PUBLICATIONS
 - etc.
- TOTAL

3.2.5 Conclusions on budget

A simple budget offers an important support to future planning but can also be used to measure actual performance at the end of the year, with a view to learning lessons from this in the future.

Remember in building strategic plans and associated activities, that finance (as set out in the budget) is only one limiting factor. The total time available from staff and volunteers must also be assessed so that strategic plans realistically can be met.



4. The importance of diverse sources of income

4.1 Avoiding fluctuations in the level of service

In any organization, things do not always go according to plan. Income may be lower than anticipated and even in the best run organizations, there can be overspends. If this happens in the long run, then services and associated costs will have to be cut.

However, organizations should try to avoid short term fluctuations in service which will disconcert its members.

This can be handled by:

- ◆ using some of the surpluses (if any) of the organization from previous years to cover short term problems
- ◆ planning as to how certain expenditure could be delayed if funds run short without necessarily permanently cutting services
- ◆ building a broader source of income to minimise fluctuations.

4.2 Other sources of income

Building a broader source of income means looking at sources other than membership fees, which usually is the major source of income. These might include:

- fundraising e.g. galas, events, raffles, bazaars
- grants
- selling items
- income from cash deposits or investments

They must all be pursued with care. Most will require the spending of cash and perhaps more importantly, the equally scarce resource of significant personnel time commitments, with no guarantees of success. Therefore, the likely outcome of any of these activities should be assessed carefully at the outset or they may have the effect of producing more costs than the income they generate or deflecting key people from achieving the organization's aims. Remember to include all costs, including people's time in the assessment.

To these words of caution, however, must be added the further thought that no fundraising activities are ever without risk and the ability to handle risk is an important management skill. Once you have decided that you want to raise funds from other sources, your responsibilities might include:

- ◆ completing and submitting funding applications
- ◆ co-ordinating funding applications
- ◆ liaising with funding agencies
- ◆ co-ordinating fundraising activities
- ◆ running fundraising activities
- ◆ ensuring money received for special projects is spent for that purpose and if necessary is separately accounted for
- ◆ ensuring goods and services to be sold are priced appropriately.

If you find yourself applying for a grant from a statutory source or Trust remember the following key points:

1. **Each donor is different** – find out what kind of application they require in terms of length and content and when is the appropriate time to submit your application.





2. **You must have a good project** – no matter how well you write a proposal, the project itself must be closely aligned with the aims of the donor organization and must be seen to have been well thought through.
3. **Read previous proposals** – if you are new to proposal writing, try to obtain copies of other people's proposals as a guideline.
4. **Write for your reader** – be aware that there will be a difference between how much you know and how much the reader knows, particularly about your Organization and the way it works.
5. **Re-read your proposal** – is it easy to read, is it clear, does it make sense, does the budget add up?
6. **Share and consult** – ask other people to read and comment on the proposal before you submit it. You may get some useful advice.
7. **Be creative** – often preparing a proposal offers a real opportunity for people to think about new ways of working towards organizational goals. Take time to think.

4.3 Conclusions on other income sources

Whilst income from external sources is generally good news, it brings responsibilities. Accounts and reports may be required for additional reasons, with perhaps different information to demonstrate to the providers of those resources that their money was well spent. Providing this extra information can be burdensome on key people in the organization. It may result in the need to have an external auditor when this may not otherwise have been necessary.



5. Membership of WAGGGS carries obligations

5.1 The challenge to meet our obligations

The payment of quota is a responsibility of all Members of the World Association. Quota is set by Conference at a rate applied to the membership figures of each WAGGGS Organization from the census figures. There is some relief in the rules (reduction) for countries with low national earnings levels. One of the primary objectives of every Association is to pay its quota on time and therefore quota must be part of the budget.

This cost to your Organization adds up in total to nearly 70% of WAGGGS' annual income from which WAGGGS must carry out its strategic plan. Quota is crucial to WAGGGS' ability to deliver services. Other sources of fundraising for WAGGGS are restricted to some extent by the need to avoid using sources which would otherwise be available to its Member Organization. Despite this, there is a continuous effort to locate sources of funds where an application would not represent any conflict of interest with Member Organizations.

The settlement of quota is a significant item in the budget of Member Organizations. Countries which fail to meet this obligation are, in effect, shifting the burden unfairly on others – and can ultimately lose the benefit of Membership.

5.2 Promoting responsibility

One aspect of developing an individual is to promote financial self-sufficiency and responsibility as part of their training. There is no better way to train than by example. Conversely, however good the training is, if Girl Guides and Girl Scouts can see examples of poor financial responsibility in their own Organization then the training efforts are wasted.

It is important to see their Organization:

- ◆ looking after their assets
- ◆ planning
- ◆ spending wisely
- ◆ creating a discipline of authorising and recording financial information.

These are all qualities we would wish to see in individual members, and the Organization must visibly set an example in financial responsibilities just as they would automatically seek to do in the case of other personal qualities.



6. Checklist for effective Financial Management

In conclusion

The following checklist describes the main conditions necessary for effective financial management within voluntary organizations:

- ◆ Does the Treasurer know enough about voluntary sector finance to ensure that all financial work is carried out properly and relevant law is complied with?
- ◆ Does everyone on the Management Committee understand voluntary sector finance in general and this organization's finance in particular, enough to make informed decisions about finance?
- ◆ Does the organization have clear policies and procedures for various aspects of its financial work, for example who can authorise expenditure? In particular, are there proper procedures in place to minimise the risk of error and fraud, and to maximise the likelihood of errors or fraud being discovered?
- ◆ Do the employees or volunteers who deal with day-to-day finance know what these policies and procedures are, and do they know enough about finance to carry out their duties properly?
- ◆ Does the Management Committee receive regular financial reports in a form they can understand? Do the reports give a clear and accurate picture of the organization's financial situation?
- ◆ Are discussions about finance lively, interesting and challenging?

Remember that if the answers to any of the above is 'No', then you have an excellent opportunity to take your organization forward to a situation where improved financial management plays a significant part in the achievement of your objectives.

