



**West Somerset Railway Heritage  
Trust  
Registered Charity No. 265564**



**Financial Decision Making and Delegated Authority.**

**Introduction.**

- 1) The purpose of this document is to ensure that The West Somerset Railway Heritage Trust (Heritage Trust) maintains and develops systems of financial decision-making and delegated authority commensurate with its responsibilities as a charity and limited company.
- 2) This Policy is part of a wider suite of documents which govern the finances and financial management of the Trust. The Policy covers the Trust as a body and its Trustees together with volunteers as individuals who have duties and responsibilities within the Trust. The purpose of the Policy is both to improve financial management and its understanding across the charity, also to protect the finances and financial stability of the Trust. It is also there to protect the Trust, its Trustees and volunteers from any suggestion of financial impropriety and to ensure that the raising, safeguarding, expenditure and gifting of money or other financial assets is managed with the utmost propriety and in accordance with pertinent standards and law. As such, it covers all elements of the Trusts activities.
- 3) All Trustees and volunteers are bound by the financial regulations and must ensure they comply with them. Any regulation queries should be directed, in the first instance, to the Treasurer of the Trust or the Company Secretary.

**Fundamental Principles.**

- 1) Trustees and volunteers must be open, accountable, honest and beyond reproach in exercising their powers and fulfilling their duties and responsibilities to the Trust.
- 2) Trustees must exercise due care and skill in using their powers and fulfilling their duties and responsibilities in relation to the finance and financial affairs of the Trust.
- 3) The Trust will comply with its financial obligations under the Charities Act 1993, as amended by the Charities Act 2006, and any subsequent applicable amendments and any other applicable regulations and law.
- 4) Individual Trustees and volunteers are bound by the provisions of this Policy and any subsequent supplements, amendments or succeeding versions. Trustees will regularly review this Policy, at least once a year, to ensure its continued effectiveness.
- 5) This Policy may only be amended at a properly convened meeting of the Board of Trustees.

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## **Financial Decision Making.**

- 1) Any financial decision-making undertaken by the Trustees or designated volunteers must comply with the Memorandum and Articles of Association of the Trust. In the event of any perceived or actual conflict arising from proposed financial decision-making, then the provisions of the Memorandum and Articles of Association take precedence.
- 2) It is important for anyone involved in making financial decisions or spending Trust resources to demonstrate that they do not benefit personally from the decisions they make. All Trustees and volunteers who are authorised to spend Trust funds are required to complete the Register of Interests and comply with the mechanisms for managing conflicts of interests as set out in the Memorandum and Articles of Association.
- 3) The Trust will design and implement a system of authorised budgets managed by Trustees to include arrangements for delegated spending authority up to designated limits (see below). The budgets will be aligned to identified portfolios as managed by Trustees and will be approved annually by the Board. Mechanisms will be put in place to adjust budgets and/or spending limits in the light of unforeseen and urgent circumstances where appropriate. These will be full Board decisions.
- 4) Having implemented authorised budgets, the Board of Trustees will monitor performance and expenditure through the bi- monthly reporting system already established by the Treasurer suitably amended to enable budget monitoring to occur.

## **Authorised Budgets.**

- 1) The proposed authorised budget headings for 2024 financial year onwards are summarised in Appendix A together with the names of the nominated portfolio Trustees who will be the budget holders. (To be identified by the proposed nominated budget holders). Budgets will include both income and expenditure.
- 2) Budget holders will work closely with the Treasurer in relation to day-to-day management of Trust finances as required. This will include:
  - Provision of financial information to budget holders;
  - New mechanisms for authorisation of expenditure to delegated limits;
  - Establishment of effective internal controls to ensure expenditure is properly managed and overspends are avoided/mitigated;
  - New systems are integrated with the process and arrangements for preparation of the Annual Accounts;
  - Significant potential or actual adverse variances are immediately reported to the Board and remedial action taken either by the individual budget holder or corporately by the Board through the Treasurer.
- 3) It is important to recognise that as the designated officer, the Treasurer has overall responsibility for the corporate financial management and control of the Trust finances.

Therefore, should there be an emerging or actual significant adverse financial event, the Treasurer has the authority of the Board to take immediate remedial action to protect the reputation and financial health of the Trust.

#### **Authority to Commit Resources and Limits of Delegation.**

- 1) The basis for committing resources in any financial year will be the Trust Business Plan which is updated annually to reflect Trust priorities and work programs. The Board will set policy and a broad expectation of activities in any 12-month period where it is expected that financial resources will be required.
- 2) Each year, therefore, it is expected that the majority of Trust expenditure will be directed towards those projects and programs which are enshrined in the Business Plan, and which have been given formal approval by the Board. It is of course recognise that operational expenditure of a non-recurrent basis will always be necessary, and it is not intended that these items below a certain threshold should be brought to the Board for approval but should be authorised by the designated budget holder.
- 3) Authority to commit resources above £3000 on any individual item or bundle of items within any single purchase order must have Board approval. Where such a decision is urgent then this can be done by email exchange and ratified subsequently in a Board minute. However, it is expected that the majority of decisions requiring expenditure and/or investment above this threshold would be the subject of formal proposals to a Board meeting and approved by the majority of Trustees present with the appropriate minute.
- 4) This Policy therefore gives designated budget holders the authority to manage their budgets within this ceiling and against the overall sum of resources provided by the Treasurer. The detailed architecture of each budget will be the subject of discussions between the Chairman, Treasurer and the designated budget holder for January 2024 onwards.

Appendix 1: Sets out the proposed designated portfolio budget holders.

#### **Budget Construction.**

- 1) Because there is no precedent for formal budgets within the Trust, budget construction will be based on assessment of likely resource required on an annualised basis supported by data from historical patterns of expenditure. The Treasurer will lead on this process. As more data is gathered over time, budgets will be refined to reflect the reality of spending patterns and likely future costs. Flexing within and between budgets will be a matter for agreement with the Treasurer. Budget design and final figures will need to be signed off annually by the Trust Board with some room for maneuver in terms of a contingency sum held by the Treasurer alongside other resources under their direct control.

Appendix 2: Summarises the key elements of the annual budget preparation cycle.

- 2) It must be remembered that these are operational budgets and not capital or direct project expenditure. Therefore, not all the Trust's resources will be committed to portfolio budgets. Budget design will reflect this requirement.

#### **Definition of Capital Expenditure.**

- 1) It is proposed that capital expenditure be defined as any single item or group of items for a similar purpose in excess of £3000. This would require Board approval as in Paragraph 18 above. Capital expenditure will cover land, buildings, plant and machinery and significant assets. Revenue expenditure will be day-to-day items of lower value.

#### **Financial Management Information.**

- 1) The Treasurer will work with designated budget holders to agree the system and content for the provision of financial management information to enable adequate budgetary control. This will be an evolving process during the early part of 2024 as budgets are established and budget holders become used to the discipline of cost control, ordering process and authorisation requirements. These will be set out by the Treasurer.

#### **Implications for Other Financial Policies and Wider Financial Control.**

- 1) There may be implications for other existing Trust financial policies and processes of wider financial control. It will be for the Treasurer to review these and to advise the Board of any necessary changes either in policy or practice terms (or both).

#### **Arrangements For Monitoring and Review.**

- 1) The Treasurer will be the accountable officer for oversight of the budget system. He will be responsible for arrangements for monitoring and review, in the first instance annually, and will make proposals to the Board for change, development and improvement as required. It is not anticipated that, given adequate controls and their application, there will be many instances of adverse variance that are not anticipated and/or the subject of mitigating actions. In some cases, e.g. legal fees, the final costs of any approved activity may not be known until later in the process. In those instances, some allowance can be made for cost contingency but, if required, reference will be made back to the Board for any additional expenditure approval.

#### **Review.**

- 1) The Board will review this Policy on an Annual Basis.

**DOCUMENT CONTROL**

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<b>Version No</b>	<b>Date Approved</b>	<b>Revision</b>
0.1	November 2023	First Issue of document. Review Date: Annually.
0.2	November 2023	WSRHT Board Approved. Next Revision due Nov. 2024.

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## Appendix 1: Proposed Designated Portfolio Budget Holders.

<b>Museums:</b>	Operational Museum Management on both sites.	Ian Camp
<b>Heritage Carriages:</b>	Carriage Restoration Program and operational management of the Washford site.	John Waters
<b>Learning and Education:</b>	Learning, Education and Outreach.	Helen Anson
<b>Archiving and Research:</b>	Includes MODES.	Ian Coleby
<b>Safety and Compliance:</b>		Martin Brown
<b>Model Railway:</b>		to be agreed
<b>PR and Communications:</b>	includes website.	to be agreed
<b>Membership:</b>		to be agreed

### Responsibilities Vested solely in the Treasurer:

- Restricted Funds.
- Reserves.
- Capital Funding where related to Restricted Funds, Legacies or donations (i.e. processing of projects agreed by the Board).
- Legacies.
- Hypothecated Donations.
- Other.

Project specific budgets with designated budget holder to be determined on a case-by-case basis dependent on the source and rules regarding application of funds.

Examples will be:

- Specific Heritage carriages.
- Purchase of Washford Yard.
- Bishops Lydeard Covered Canopy and Facilities.

There may be a case for a Chairman's Budget. To be discussed.

## **Appendix 2: The Annual Budget Preparation Cycle.**

- 1) The Treasurer is responsible for preparing and obtaining approval for the annual budget. The budget must be approved by the Trustees.
- 2) The annual budget will reflect the best estimate of the resources available to the Trust for the forthcoming year and will detail how those resources are to be utilised. There should be a clear link between the plan objectives contained in the Business Plan and the budgeted utilisation of resources.
- 3) All budgets will have a Budget Holder.
- 4) Comparison of estimated and actual income and expenditure will identify any potential surplus or shortfall in funding. If shortfalls are identified, opportunities to increase income should be explored and expenditure headings will need to be reviewed for areas where reductions can be made. This may entail prioritising tasks and deferring projects/budgets until income and expenditure are in balance. A deficit budget on the current account for any particular year may be allowable but this should be seen as exceptional and must not undermine the long-term financial viability of the Trust.
- 5) Once the different options and scenarios have been considered, a draft budget should be prepared by the Treasurer for approval by Trustees. The budget should be communicated to Trustees and volunteers with responsibility for budgets so that everyone is aware of the overall budgetary constraints.
- 6) The budget should be seen as a working document which may need revising throughout the year as circumstances change.
- 7) Budgets should be prepared for both the current and the capital account. The capital account budgets, in particular, should examine implications for succeeding years and those implications will be reflected in the current account through depreciation charge calculations.
- 8) The budgets should also take into account the effect on the Trust balance sheet, in particular, its liquidity and availability of cash.

SW, November 2023

The West Somerset Railway Heritage Trust.