



Resources for **small groups**

Opening and operating a bank account

Choosing a bank

Many banks operate in the High Street. Others operate postal accounts or via the Internet. Some are businesses whose motivation is profit; others are 'not for profit' organisations.

So which is the best for you? It is a question of contacting a number of banks, balancing a number of factors and coming up with a solution that works for you – there may be no ideal bank. Among the factors you should consider when choosing a bank are:

Type of account

Some banks have accounts tailored specifically for small voluntary groups. In return for low or no charges they may have restrictions on the number of transactions in a month or the amount of money that can be held in them. Deals vary so it is wise to shop around.

Access

All monies you receive should be banked as soon as possible. What hours does the bank open? Is it nearby? Are there often long queues? Will you be allocated a named member of staff who will personally look after your account and deal with your queries?

Do you have much cash to bank?

Some banks charge extra for handling cash deposits. If you do need to bank cash frequently – particularly large amounts - the Post Office may be a good option.

Bank charges

Ensure that you are aware of what each bank would charge you for and how much. As well as charges for simple transactions like cheques and deposits, there may be extra charges such as fees for stopping a cheque or confirming balances to an auditor.

Bank interest

If you have surplus funds over and above immediate needs, it is advisable to invest them in a deposit account where they can earn interest until you need them.

It is possible for your bank to 'sweep' your current account daily so that any balance over, say, £500 is transferred automatically to a deposit account. There are also specialist banks such as the CAFCash that operate high interest cheque accounts where you both receive high interest and pay low charges (though you will need to be a registered charity to access this account). Remember too that charities should receive their bank interest gross (i.e. without deduction of tax).

Telephone and electronic banking

Does your bank offer you the facility to move funds and pay bills either by telephone or via the Internet? These may be an easier way for a small group to operate a bank account. If you do want to use such facilities, you will need to put into place security safeguards like passwords so that only authorised officers can access the services.

Ethical policies

You should check the investment policy of the bank to ensure that it does not conflict with your charitable objectives. For example a charity involved in animal welfare may not want to use a bank that invests heavily in companies engaged in research involving animals.

‘Not for profit’ banks

A number of banks (such as CAFCash and Unity Trust) operate on a ‘not for profit’ basis. Where they offer good deals, it may be a matter of principle for you to want to keep your funds in the ‘not for profit’ sector.

Setting up your banking arrangements

Having selected your bank, you will need to take a number of steps to open the account and ensure its smooth operation.

The bank mandate

You will need to appoint the people who will be authorised to operate the account by passing a resolution at a meeting of your Management Committee. The bank will provide you with the appropriate wording of the resolution. It will also provide a form for you to complete with relevant names, addresses, dates and other details. The resolution will form the Bank Mandate and instructs the bank on how you want to do business with it, who is to sign cheques and any other instructions.

Account name

Ensure that the Bank Mandate shows the correct name and status of your organisation. If you are a company limited by guarantee, advise the bank accordingly. If you are a registered charity, advise the bank of your registration number, as this **MUST** be printed on your chequebook.

Signatories

The bank should be instructed to accept any two signatures from a nominated panel. Generally the panel will be made up of Management Committee members – usually the officers.

The size of the panel should be sufficient to ensure that cheques can always be signed when needed but not too large to dilute control of what is being moved out of your account. Four signatories will probably be a working number for a small group but your needs may be different. If you have staff and it is necessary to include them as cheque signatories, you should set clear limits on their powers (e.g. a monetary limit or one signatory always being a trustee).

Raising and signing cheques

There are some basic rules that should be observed to ensure that your group’s money is not misspent.

- A named person should be responsible for holding the chequebook, which should be kept under lock and key.
- Blank cheques should **NEVER** be signed.
- Whenever possible, the same person should not be responsible for ordering, processing and checking invoices, authorising payments, raising cheque requisitions, and signing cheques.
- If, **in exceptional circumstances**, it is necessary to sign a cheque where the payee is written in but the amount is left blank, the cheque should be crossed "Not to exceed £...."
- The cheque stub should always be filled in.
- Every payment from the organisation’s bank account should be supported by an original invoice or expense claim form (never a supplier’s statement or final demand).
- It is vital that cheque signatories take their duties seriously and do not sign any cheque presented to them without inspecting carefully the supporting documentation. Each person who signs a cheque should ensure that the following is written on the invoice or cheque requisition slip:
 - Cheque number
 - Date cheque drawn
 - Amount of cheque
 - Who signed the cheque

The only exceptions to cheques not being supported by an original invoice are for such items as advanced booking fees for training courses, VAT etc. Here a cheque requisition form should be used and a photocopy of the cheque kept. If, later, a receipt is issued by the supplier, this should be pinned to the cheque requisition form.

