

Federation Treasurer's Handbook

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1.1 Introduction

1.1 About this Handbook

The Federation Treasurer Handbook is designed to support Federation Treasurers in carrying out their vital responsibilities with confidence and clarity. It builds on the content delivered in the Federation Trustee Online Training — particularly Module 4 on Financial Management — by offering more detailed guidance and practical examples.

We would recommend completing the Federation Trustee Training prior to reading this handbook. The training can be accessed via the WI Learning Hub - <https://learninghub.thewi.org.uk/federation-trustee-area/>

While all trustees share collective responsibility for a federation's financial health, the Treasurer plays a key leadership role in ensuring strong financial controls, good governance, and sound decision-making. This handbook provides step-by-step information and practical tools to help Treasurers meet regulatory requirements, manage risks, and support the board in making informed financial decisions.

The guidance in this handbook reflects the principles of good financial stewardship, accountability, and transparency. It is designed to be used alongside relevant Charity Commission guidance and the WI Constitution. Whether you are new to the role or an experienced Treasurer looking to refresh your knowledge, this resource aims to help you navigate the role effectively and support your federation's ongoing sustainability.

By providing examples, templates, and best practice recommendations, this handbook helps translate responsibilities into day-to-day actions—making the Treasurer's role more manageable and impactful.

1.2 Holding Trustees

As an unincorporated federation is not able to hold land or property in its own name, it may appoint no fewer than two and no more than four named individuals as 'Holding Trustees' to hold the legal title of charity property. They can either:

- Appoint holding or custodian trustees to hold the assets including land on the charity's behalf
- OR
- Use the Official Custodian for Charities (OCC) to hold land on the charity's behalf

Holding or custodian trustees are appointed to hold property on behalf of a charity; they aren't charity trustees. They must act on the lawful instructions of the charity trustees and in accordance with any rules in your governing document.

You must make sure that any documentation for fixed assets held by the OCC, or by holding or custodian trustees, makes clear that the property is being held on behalf of your charity and cannot be sold without the agreement of all the trustees.

Key points about Holding Trustees are:

- The federation is the beneficial owner of the land, and the federation board/committee is responsible for upkeep, repairs and insurance.
- If the land is sold, the federation will have the benefit of the proceeds of sale.

- Holding Trustees must act on the instruction of the federation. E.g. If the board decides that a building should be sold, the Holding Trustees must comply. They cannot question the instructions of the board.
- As the owners of the legal title, any legal proceedings involving land will be conducted in the name of the Holding Trustees.
- Holding Trustees are fully indemnified out of the funds of the federation against any liability incurred.
- If investments are held by Holding Trustees, the federation is responsible for managing the investments and the Holding Trustees act on the instruction of the board.
- If a Holding Trustee retires (or dies) a new Holding Trustee must be appointed.
- WIs that own halls, land or investments must also appoint Holding Trustees as they are unincorporated.
- Federations and WIs are advised to involve a solicitor in the process of appointing (or changing) Holding Trustees.

1.3 Keeping up to date

The NFWI provides overarching legal support and guidance on constitutional matters and ensures that the entire federated network remains up to date with any significant changes in legal or regulatory requirements. If you have any questions, please contact boardsecretary@nfwl.org.uk

However, you have an individual responsibility to ensure your knowledge of charity governance remains up to date and we would encourage you to regularly visit the online resources of your regulator as well as signing up for charity sector newsletters and updates.

The Charity Commission produces newsletters that is available online [Charity Commission News - GOV.UK](#) or you can sign up to receive it by email.

Advice and guidance are also available from the National Council for Voluntary Organisations (NCVO) www.ncvo.org.uk

1.4 Further information and guidance

[The essential trustee: what you need to know, what you need to do \(CC3\) - GOV.UK \(www.gov.uk\)](#)

2. Practical Financial Management

This section contains practical guidance relating to aspects of the Federation Treasurer's role.

2.1 Accounting Records

Charity law requires trustees to ensure proper and timely accounting records are kept. These must:

- Show and explain all the charities transactions
- Disclose the financial position of the charity with reasonable accuracy at any time
- Enable trustees to be sure that statutory accounts comply with the regulations
- Show all day-to-day receipts and expenditure
- Record assets and liabilities of the charity

- Be kept for at least six years from the end of the financial year.

A specific requirement of charity accounting is that accounting records and annual accounts must distinguish between the different types of funds, i.e. unrestricted, restricted and endowment funds

The Treasurer must therefore ensure the organisation keeps accurate, up-to-date, and comprehensive financial records and that an adequate system is in place to do this.

The main financial records that are normally needed are:

- Cashbook - records all receipts and payments by cash, cheque, credit/debit card, BACS or direct debit; regularly reconciled to the cash and bank balances
- Sales ledger - records sales made, payments received and outstanding debtors (money owed)
- Purchase ledger - records all purchases, payments made and outstanding bills (creditors)
- Statutory wages record - records of all salary payments made, including National Insurance contributions (HMRC form P11 can be used to record details, or an online PAYE tool can be downloaded and installed from HMRC's website)
- Nominal ledger -
 - Allocates income and expenditure to a number of nominal accounts or 'pots' to allow analysis in more detail, e.g. by committee or by income/expenditure type
 - All transactions are allocated a nominal code when recorded
 - The full set of nominal accounts making up the 'chart of accounts' should be chosen to reflect the headings under which you want to analyse the financial records for management and accounting purposes.
- Stock records - records number and value of all stock items, showing purchases, sales and balances held.

The record system must contain a clear audit trail. This means that information is recorded in such a way that any transaction can be traced backwards, or forwards, to the originating document and to the accounts themselves.

2.2 Tangible fixed assets

These include the following which are used during your charity's activities:

- Land
- Buildings
- Vehicles
- Fixtures and fittings
- Equipment

As a trustee, you have a duty to safeguard your charity's assets and make sure they are being used properly. Suitable internal financial controls make sure that assets can be:

- Identified
- Recorded in accounting records
- Used for your charity's purposes

You should make sure that your charity:

- Sets an amount at which small capital items should be included in the accounts as fixed assets
- Has a register of all fixed assets your charity uses, including the cost, or value, of each asset and have enough detail to enable each asset to be identified
- Regularly inspects fixed assets to ensure that they still exist, are in good repair and are being used appropriately
- Authorises the disposal or scrapping of fixed assets appropriately and records this in accounting records and in your fixed asset register
- Regularly reviews your insurance cover to make sure it is adequate
- Secures the boundaries of any land and buildings and makes sure they are recorded appropriately with the Land Registry
- Holds any title deeds to land securely and checks that the deeds accurately record your charity's interest in the land.
- There may be instances where assets are held from suspended WIs as per the constitution.

2.3 Computerised accounting systems

The system for recording financial transactions will depend on the particular federation's needs. In a small federation an Excel spreadsheet record may be adequate; and some or all of the finance work may be undertaken by the Treasurer herself. Larger federations are more likely to use a computerised accounts system and employ a paid bookkeeper or other staff.

Using off-the shelf accounting software can save time and make reporting easier. Sage and Intuit Quickbooks have well established packages suitable for small businesses. It is a good idea to talk to your accountants when you are consider purchasing accountancy software.

Note that even with a computerised system, it is necessary to have a clear system for keeping information before and after it is entered on the computer.

You will need to ensure when you set up any system that it takes account of restricted versus unrestricted funds and also of the separate ledger together for ease of access.

It is also important to have a system for backing up online records in case of computer failure.

2.4 Choosing & using external accountants

It is good practice to periodically review the federation's accountancy and audit /independent examination services, to ensure both that the federation is getting good value for money and that the external scrutiny of accounts remains suitably independent.

The first step in looking for new accountants is to prepare details of the work you wish to be completed and the timescales you want to work within. You will also need to provide potential firms with the Constitution and your latest signed accounts.

In identifying suitable accountants to approach for competitive quotes it is a good idea to look for firms in your area that have experience of charity work, for example by asking other comparable charities. You might also look at potential firms' websites to get more information about them. You should try to identify 3-4 potential firms unless your federation tendering or procurement policy specifies a specific number of quotes required. You should explain to your current accountants why you are thinking of changing and also invite them to quote.

Your invitation to potential firms to provide a quote is likely to include the following questions:

- What services can the firm offer?
- Does the firm have specialist knowledge/experience of charity accounting and VAT

- How many other charities of a similar size do they work with?
- Are they able to fit in with the federation's timetable for producing the accounts?
- Does the firm have any particular knowledge of the WI or federated charities in general?
- Do the firm's partners/managers have any trustee experience in local charities?

Also ask them to let you know if they require any further information in order to quote and set a target date that you require the quote by. Once you receive the quote you may want to meet with some or all of the potential firms. The decision to appoint needs to be formalised by the federation committee.

In reaching a final decision, check what each firm has to offer and how much it is going to cost. The final decision may come down to the firm you think you can best work with. The board decision and rationale should be minuted.

2.5 Internal financial controls

Internal financial controls are checks and procedures that are aimed at ensuring financial affairs are well managed and assets are safeguarded. They reduce the risk of losses through theft or error.

The Charity Commission provides detailed guidance for trustees in its document [CC8 - Internal Financial Controls for Charities](#); they have also produced a checklist for charities). Please check relevant regulators for updates.

Appendix 1.1. sets out some key control objectives and gives examples of the types of controls that should be implemented to ensure these are achieved.

2.6 Finance procedures

The Treasurer should ensure the federation has clear, documented finance procedures. The procedures form part of the internal control framework to ensure good financial management. Clearly documented procedures provide clear guidance for staff, volunteers and trustees, and help ensure the federation's finances continue to be well managed when staff or committee members change.

The level of detail and complexity of the procedures will depend on the size of the federation. The table in appendix 1.2 shows the main areas that procedures should cover.

2.7 Banking

The Treasurer should make sure that the federation has appropriate banking services to meet its needs.

2.7.1 Account signatories:

The federation constitution states that all cheques must be signed by at least two authorised persons and the federation board of trustees should authorise at least three people to sign cheques on its behalf. To ensure availability, the board may decide that more than three authorised signatories are needed and in a larger federation this may include a member of staff. However, the number should be no higher than deemed necessary.

The Treasurer should ensure that all signatories understand their responsibility to check what they are signing for. Signatories must never sign a blank cheque.

The board should ensure that the mandate is changed with the bank as quickly as possible after officers or staff vacate their roles.

2.7.2 On-line (electronic) banking, and BACS and telephone banking

The Charity Commission provides guidance in CC8: Internal Financial Controls for Charities [Internal financial controls for charities: protect your charity from fraud and loss \(CC8\) - GOV.UK](#)

Internet or electronic banking, BACS and telephone banking have the advantages of convenience and efficiency. However, these do create control issues, particularly concerning making payments. The Charity Commission's guidance on electronic banking is that the same level of internal financial controls should be in place for as for more traditional forms of banking.

Controls should be in place to ensure:

- Clear segregation of duties to prevent any single person from being able to control substantial resources or obtain unauthorised access to account information.
- Proper approval for movements between, and payments from, bank accounts.

Use of electronic and telephone banking simply to obtain information about the charity's account and not to undertake any transactions poses low risk.

However, if charities use online banking to process transactions the fundamental internal financial control the Charity Commission recommends is that charities use a dual authorisation system. This is where one user submits a transaction and another authorises. The initiation and the authorisation do not necessarily have to happen at the same time, nor do the users have to be in the same physical location.

Charities should ask their bank if they provide this service.

IT security is an important concern when using internet banking and BACS. Any PC used for internet banking should have security controls over access and up to date firewall, spyware and anti-virus software installed. All passwords and PINs should be kept secret. Federations should take this into account in deciding whether to permit trustees or staff to use on-line banking from home and what controls should be implemented if they do.

Further controls to ensure security over electronic banking include

- Taking a printout after each electronic banking transaction, showing details of the transaction and storing this as part of the accounting record.
- Retaining print outs of statements as part of the accounting records.
- Changing passwords periodically and following changes in authorised staff and trustees.
- Providing adequate training for those using the charity's computer systems
- Treating emails received relating to bank accounts with caution and not responding to emails or telephone calls asking for personal security details.

2.7.3 Debit & credit cards

Similar control issues arise with the use of debit and credit cards. If these are to be used, there should be a procedure for ensuring all transactions carry the appropriate level of authorisation before they take place together with a further control where statements are reconciled to the authorised approval documentation and supporting evidence such as receipts.

2.8 Fraud

Fraud can and does happen in charities. The Board of Trustees must be aware of this and must take appropriate action to protect against this. The risk of fraud is inevitably increased in some circumstances, for example, where activities involve cash taking, or where there is limited opportunity for segregation of duties and therefore one individual control many steps in the financial processing. Types of fraud that may occur include misuse of the charity's bank account, stealing or 'skimming-off' money from cash income, intercepting cheques, the creation of false invoices or inflated expenses or other claims.

The Charity Commission document [Protect Your Charity From Fraud](#) says that:

Trustees are responsible for protecting a charity from fraud and other abuse. They must ensure they have put appropriate systems and procedures in place to ensure that the charity's funds can only be used for legitimate purposes.

Trustees can ensure their charity is well protected by putting in place financial controls, ensuring strong financial management and good governance.

If a fraud is discovered, this should be reported to the police. In addition, trustees are required to report it to the Charity Commission.

The Charity Commission has produced a Compliance Toolkit, Protecting charities from harm, providing detailed guidance on protecting a charity from fraud and financial abuse [Protecting charities from harm: compliance toolkit - GOV.UK](#)

Chapter 3 of the guidance includes the 'Top Ten Tips' for trustees which you can read here- https://assets.publishing.service.gov.uk/media/5a817724ed915d74e62326a5/Chapter3_Summary.pdf

2.9 Budgeting and monitoring

The federation's annual budget is a key tool in assisting trustees with their responsibility for managing the federation's finances efficiently and effectively.

The budget is basically an estimate of future income and expenditure. An annual budget should be prepared for the financial year ahead based on the federation's overall planned activities for the year. The activities for the year ahead will be in line with the federations's longer term strategic vision and plans.

The budget should be reviewed and agreed by the Board of Trustees. As the year progresses, the board should receive regular reports, at least quarterly, showing actual income and expenditure for the year to date compared with the budget. The board should receive explanations for any material differences between budgeted and actual figures and should take appropriate action.

The budget may need to be revised during the year, for example if income does not come in as planned, if unplanned expenditure is required or if new activities are added during the year. The performance against budget in the year may also have an impact on the federation's longer term strategic plans and these may be adjusted at their next annual review.

2.9.1 Preparing the annual budget

The budget should be broken down into defined areas of responsibility, corresponding to responsibilities for delivering particularly services and activities. For example, the federation may breakdown the budget by central income/support costs and income/costs for each committee. It is a good idea to have a plan or timetable for preparing and agreeing the budget.

Some items of income and expenditure may be known in advance, for example agreed grants on the income side and office rent, staff costs on the expenditure side. In other cases, assumptions must be made to estimate income and expenditure. For example, an assumption has to be made about the number of members in the coming year in order to estimate subscription income. Actual figures for the current and previous year will provide useful information to support assumptions for the year ahead.

It is important to document any assumptions. The trustees should review the significant assumptions before agreeing the budget.

See appendix 1.3 For an example of a plan to produce the annual budget and diagram of the budget and monitoring cycle.

2.9.2 Assessing budget risks

During preparation and review of the budget it is important to consider any inherent risks. For example, any doubts about the reliability of budget projections (there is a danger of being over-optimistic on the income side) or any possible events that would affect the budget assumptions. You should consider what actions could be taken to reduce risks now, or what contingency actions would be taken should any adverse events arise. Remember it is the trustees' duty to ensure the federation remains solvent.

2.9.3 Monitoring

In order to monitor against the budget during the year, income and expenditure should be broken down into the periods in which they are expected to arise, e.g. at least quarterly but may be monthly depending on how frequently monitoring reports are required. Some items such as staff costs or stationery will usually be split into equal instalments in each period. Others such as subscription income or event costs will only arise in certain periods.

As the year progresses, the budget for the year to date should be totalled for each budget line. This should be compared with actual income or expenditure over the same period and any differences highlighted.

Small variances are inevitable and generally do not reflect any problems. Monitoring should focus on unexpected and relatively large variances. Variances are adverse arise where income is below budget or costs are above budget. The reasons should be investigated and appropriate action taken. For example, if an important fundraising event has failed to generate as much income as budgeted, it may be necessary to take action to reduce costs for the remainder of the year.

Whilst variances where income is above budget or expenditure is below budget are generally favourable, the reasons should still be investigated.

As the year progresses it is also helpful to produce a forecast of the full year, taking into account the actual results for the year to date and an updated estimate for the remainder of the year.

2.10 Risk management

Charity Commission guidance states that: *Charity trustees should regularly review and assess the risks faced by their charity in all areas of its work and plan for the management of those risks.*

This is essential to achieve key objectives and safeguard the charity's assets and resources.

Trustees of charities above the audit threshold are required to report on risk management in the Trustees' Annual Report.

Trustees of smaller charities with gross income below the statutory audit threshold are encouraged to make a risk management statement in the Trustees' Annual Report and it is good practice to include this. It is normally sufficient to state that the trustees recognise their responsibility to review risks, have identified and assessed the major risks and have implemented controls to manage those risks.

A Risk Register is used to record the results of the trustees' risk assessment. It should be reviewed and updated at specified intervals. A suitable format for a federation is shown below.

See appendix 1.4.1 For an example format for a Risk Register.

Risks should be reviewed as frequently as necessary. Trustees should always formally review all risks at least once a year. In addition, risks should always be considered when trustees are considering a significant business decision. If a situation is changeable then the risks should be reviewed relatively more frequently. Please see appendix 1.4.2 for risk review guidance.

2.10.1 Charity Commission guidance

CC26 explains the main steps in risk management and includes detailed examples of potential risk areas, their potential impact and steps that can be taken to mitigate the risk: [Charities and risk management \(CC26\) - GOV.UK](#)

2.11 Reserves policy

Reserves are unrestricted funds that are freely available to spend on the charity's purposes. The definition normally excludes:

- Restricted funds
- Endowment funds
- Any part of unrestricted funds not available for spending, e.g. tangible fixed assets and funds designated for future spending

Trustees are required to explain the charity's reserves policy in their Annual Report, in accordance with SORP.

The reserves policy should explain the reasons the charity needs to hold reserves, the amount of reserves the trustees consider necessary and the actual number of reserves held.

Trustees must ensure that the charity's funds are used appropriately to fulfil the federation's charitable objects and for the public benefit. Therefore, charitable income that has been received should normally be spent within a reasonable period of receipt. Funds should not be accumulated without a reason.

The main reasons reserves are likely to be needed are to meet future financial commitments and to manage unforeseen financial problems. The trustees should estimate the amount of reserves needed based on the federation's future plans and on the risks the federation faces and the potential cost of dealing with these risks.

If there is a significant difference between the reserves needed and the amount held, then the trustees should explain what they plan to do to address this.

The Charity Commission gives detailed guidance in CC19: Charities and Reserves. [Charity reserves: building resilience \(CC19\) - GOV.UK](#)

2.12 Raffles and lotteries

All lotteries are regulated under the Gambling Act. Some types of lotteries require permission and other types are exempt. Exempt lotteries must still operate within the laid-down rules. This act covers Great Britain - please check local regulators if outside of GB.

The Gambling Act defines a lottery as: *an arrangement whereby persons pay for an opportunity to win a prize.*

Raffles and 100/200 clubs fall within this definition. These have been simplified by the WI lottery:
[The WI Lottery: Easy online fundraising for local WIs - The WI Lottery](#)

The types of lotteries that are likely to be relevant to a federation are set out below. These two types of lotteries may be run without permission:

- Incidental non-commercial lottery
 - Must be held at a non-commercial event
 - Tickets must only be sold during the event
 - The draw must take place during the event, (which may last more than a day)
 - Prizes must not total more than £500.
 - No more than £100 costs may be deducted from the income
 - No specific ticket requirements.
- Private lottery
 - The promoter must be a member of the WI
 - The promoter (organiser) must act under written authorisation of the federation
 - Must be promoted only to members of the WI and people who work on the federation's premises
 - Each person participating must be a WI member or work on federation's premises
 - The lottery must be promoted (i.e. advertised) only on the federation's premises
 - Tickets must state the name and address of the promoter, the price and who is allowed to buy tickets; they must be paid for before the buyer can enter the draw.

If your lottery does not fall within either of the above types, then it is likely to be a small society lottery:

- Small society lottery
 - The value of tickets on sale in any one lottery must be no more than £20,000 and proceeds from all lottery tickets must be no more than £250,000 in a year.
 - The federation must register with the local authority before it can run any small society lotteries. The local authority will provide a registration form.
 - At least 20% of the proceeds must go to the charity
 - Up to 80% of proceeds may be used for costs and prizes
 - Tickets must not be sold to people under 16
 - Tickets (or equivalent) must show the name of the federation, the ticket price, the name and address of the organiser and the date of the draw.
- Federation 100/200 clubs
 - These are most likely to be small society lotteries.
 - To classify as a private society lottery, there could be no advertising or promotion of the club outside of the federation's premises.
 - Tickets should only be sold to individuals and not to WIs. The definition of a lottery refers to 'persons'; moreover, entering a lottery would not be legitimate use of WI funds.
 - At least 20% of ticket sales must go to the federation.

2.13 Further information and guidance

CC8 - Internal Financial Controls for Charities and self-checklist for charities: [Internal financial controls for charities: protect your charity from fraud and loss \(CC8\) - GOV.UK](#)

CC19 - Charities and reserves: [Charity reserves: building resilience \(CC19\) - GOV.UK](#)

CC25 - Managing charity assets and resources: an overview for trustees: [Charity Commission urges trustees to get to grips with financial duties - GOV.UK](#)

CC26 - Charities and Risk Management: A guide for trustees: [Charities and risk management \(CC26\) - GOV.UK \(www.gov.uk\)](#)

Running a Lottery – a Quick Guide: [Fundraising and lotteries \(gamblingcommission.gov.uk\)](#)

3. Annual Accounts

Every charity must produce annual report and accounts. The purpose is to show openly and transparently how you have spent the money you have received, how what you have spent supports your work, and what resources are available to you at the end of your financial year.

This section explains the annual accounting and reporting requirements that federations must comply with.

3.1 Legal & Charity Commission requirements

Note that the regulatory requirements here apply to federations in England & Wales. Island federations are not governed by the Charity Commission or UK company law and have to comply with their own domestic regulations:

The Charity Commission (England and Wales) [The Charity Commission - GOV.UK](#)

HM Attorney General [Isle of Man Government - Attorney General's Chambers](#)

Jersey Charity Commissioner [Jersey Charity Commissioner & Register of Charities](#)

Guernsey Register [Guernsey Registry Home Page - Guernsey Registry](#)

INCORPORATED FEDERATIONS (CIO and CLG)

- Must prepare annual accounts, signed on behalf of the trustees, and make them available on request to anyone who wants to see them.
- Must comply with the requirements of the Charities SORP 2005 (Statement of Recommended Practice) and the Companies Acts (relevant to CLGs), by preparing a single set of accruals accounts for both purposes that comprises:
 - SOFA - Statement of Financial Activities
 - Balance Sheet
 - Accounts notes
 - Independent Examiner's or auditor's report
- Must prepare a Trustees' Annual Report/Directors' Report; in practice this is also a single report that meets the requirements of both the Charity Commission and the Companies Act.
- CLGs must send report & accounts to Companies House within 9 months of year end.
- If gross income is over £25,000, must also send the report and accounts to the Charity Commission within 10 months of the year end.
- CLGs must complete a Companies House annual return by the date they specify.
- Must complete a Charity Commission annual return or, if income is less than £10,000, an annual update, within 10 months of the year end.

UNINCORPORATED FEDERATIONS

- Must prepare annual accounts, signed on behalf of the trustees, and make them available on request to anyone who wants to see them.
- If gross income is less than £250,000 for the year, may choose to prepare receipts & payments accounts plus statement of assets and liabilities.
- Otherwise, must prepare accruals accounts in accordance with the Charities SORP 2005 comprising
 - SOFA - Statement of Financial Activities
 - Balance Sheet
 - Accounts notes
 - Independent Examiner's or auditor's report
- Must prepare a Trustees' Annual Report.
- If gross income is over £25,000, must send their report and accounts to the Charity Commission within 10 months of the year end.
- Must complete a Charity Commission annual return or, if income is less than £10,000, an annual update, within 10 months of year end.

3.2 Receipts & payments vs accruals accounts

Federations have the option of preparing accounts on a receipts & payments basis if they are unincorporated and their gross income is less than £250,000. (The WI financial statement is also prepared on the receipts & payments basis.)

Before April 2009, the income threshold was £100,000. Since it has increased the receipts & payments option is available to many more federations. However, your federation may prefer to continue preparing accounts on an accruals basis which gives a fuller picture of the federation's financial affairs.

Receipts & payments accounts

- A simpler form of accounts for small non-company charities with income below £250,000.
- The accounts record cash transactions only, i.e. all money spent and received in the year.
- Receipts and payments can be broken down into any sub-categories that you consider appropriate and will aid the reader of the accounts, but no regulatory requirements apply. SORP 2005 does not apply.
- The accounts include both capital and revenue transactions.
- The accounts must show unrestricted, restricted and endowment funds separately (see below).
- You must also produce a statement of assets (e.g. property, cash balances) and liabilities (any money that you owe) at the year end.

Accruals accounts

- All incorporated federations and unincorporated federations with gross income over £250,000 pa must prepare accounts on an accruals basis.
- The accounts record income that is earned and expenses that are incurred in the financial period, rather than when payment is received or made.
- This gives rise to debtors and creditors at the year end when income and expenditure have been recognised but the cash is still owed or due.
- The accounts match income with related expenditure in the period they relate to.

- The cost of fixed assets is spread over their useful life by applying a depreciation charge each year.
- Accounts must be prepared according to the Charities SORP 2005 which specifies the format. However, if your federation is below the audit threshold (see below), you have more freedom in the way you set out the SOFA.

See appendix 2.1 for examples of receipts & payments vs accruals basis. See appendix 2.2 and 2.3 for a checklist for each type of accounts.

3.3 Accounting for different types of funds

Fund accounting is unique to charities/not-for-profit organisations. Whether you produce accounts on an accruals or receipts & payments basis you must keep track of unrestricted, restricted and endowment funds and account for these separately.

This is usually done by showing these in separate columns within the SOFA or receipts & payment account. You are also required to keep the primary accounting records in a way which separates transactions between the different fund categories.

Unrestricted funds	<p>Funds that the trustees can use in any way they wish to further of the charity's objects, i.e. not restricted or endowment funds.</p> <p>Trustees may choose to earmark part of the unrestricted funds for specific purposes in the future. These are known as 'designated funds' and are accounted for as part of the unrestricted funds.</p>
Restricted funds	<p>These are usually grants or donations where the funder requires that they are used in a specific way.</p> <p>Must only be used for these specific purposes that are narrower than the overall purposes of the charity.</p>
Endowment funds	<p>Funds that the trustees are legally required to invest or keep and use for the charity's purposes.</p>

3.4 Independent examination or audit

All federation accounts must have some form of external scrutiny, either independent financial examination or a full audit. This is specified in the federation's constitution.

Note that company and charity law does not require external scrutiny for charities with gross income below £25,000 unless it is a requirement of the charity's governing document, as it is in the federation constitution.

A federation must have a full audit if:

- Its gross income exceeds £1 million or
- It has gross assets exceeding £3.26m and gross income exceeds £250,000

Below these thresholds both incorporated and unincorporated federations must have an Independent Financial Examination unless they choose to have a full audit.

Whilst most federations currently have gross income below the audit threshold, some federation trustees may choose an audit because they value the higher level of scrutiny it provides.

One-off events may cause income to go above the audit threshold just for one year, e.g. if a property is sold in the year.

Audit

- Must be carried out by a registered auditor
- The auditor's report confirms that the accounts give a "true and fair view" of the state of the charity's affairs and have been properly prepared in accordance with the specific accounting requirements / regulations.

Independent examination

- Simpler form of scrutiny than an external audit.
- Still provides assurance that the accounts have been subject to an external check by an independent person.
- The Federation Trustees must assure themselves that the Independent Examiner has the requisite knowledge and practical experience to carry out a competent examination of the accounts.
- The Independent Examiner must actually be independent, i.e. no close personal relationships with the trustees of the charity, not involved in day-to-day administration and not a major donor or beneficiary.
- If the federation's gross income is over £250,000, the Independent Examiner must be a member of a recognised professional body.
- The Independent Examiner must follow the Charity Commission's Directions.
- The Independent Examiner's report must follow the form set out in the Charity Commission 2008 regulations (examples given in CC32) and must be signed by an individual not a company.
- The Independent Examiner's report states that no evidence was found of lack of accounting records, accounts failing to comply with the records or the appropriate accounting requirements nor other matters that need to be disclosed.

[Charity reporting and accounting: the essentials November 2016 - GOV.UK](#)

[Independent examination of charity accounts: guidance for trustees \(CC31\) – GOV.UK](#)

[Independent examination of charity accounts: examiners \(CC32\) - GOV.UK](#)

3.5 Trustees' Annual Report

In addition to the accounting information, Federation Trustees must also produce a narrative Trustees' Annual Report. The overall aim of the report is to help people understand what the federation's plans, activities and achievements were for the year and how they contributed to the federation's charitable objects.

The Trustees' Annual Report should contain:

- Legal and administrative details
- Aims and objectives
- Activities and achievements during the year
- Plans for the future

There is a more detailed checklist of content in appendix 2.4.

Smaller charities that are below the audit threshold may provide simple, summary information to comply with the regulations, but are free to provide more information if they believe it will help the readers of the annual report and accounts. Most federations fall within the smaller charity category.

If your federation is a CLG, you must ensure that the annual report also covers Companies House report requirements. Normally this means disclosing names of the directors and a description of the principal activities. The requirements will be covered if you follow the guidance for the Trustees' Annual Report and also include a statement to the effect that the trustees are also the directors of the charitable company.

The report should be dated and signed by one or more of the trustees, in addition to the signing of the financial statements.

3.6 Public benefit reporting

All charities must have aims that are for the public benefit and the Charities Act 2006 explicitly includes public benefit in the definition of charitable purpose.

Charity trustees must have regard to the Commission's public benefit guidance and have a duty to report in their Trustees' Annual Report on their charity's public benefit.

Therefore, the trustees' annual report should show how the activities and achievements during the year have been carried out for the public benefit.

The report should also include a statement confirming that the trustees have had regard to the Charity Commission's guidance on public benefit.

3.7 Reporting to Annual Council

3.7.1 Presenting the accounts to members

Under the federation constitution, the annual accounts must be presented to federation's members at the Annual Council Meeting or AGM. Normally the Treasurer presents the accounts on behalf of the board.

*The **members of an unincorporated federation** are the WIs in the federation.*

*The **members of an incorporated federation** are an equal number of delegates appointed by each WI in the federation to represent the WI, and members of the Board of Trustees. The federation board decides the number of delegates from each WI.*

Before they are presented to the annual meeting, the accounts should have been finalised and signed on behalf of the board and may also have been filed with the Charity Commission and Companies House as required.

The accounts are not presented to the council meeting for formal approval as they have already been approved by the trustees. Members have the opportunity to question the trustees on the accounts and express any views, but they cannot refuse to accept the accounts. You may wish to ask for questions to be submitted in advance so that you can prepare your response.

For incorporated federations that are CLGs the Companies Act requires that the accounts should be circulated to members no later than the date they are filed with Companies House. They can be circulated electronically but only if each member has given written consent for this specific event, or to receive documents electronically in general.

3.7.2 The Treasurer's report to annual council

As Treasurer you will report on and present the accounts at Annual Council. There is no set formula for this presentation. Aim to be interesting; each Treasurer will do this in her own way. Here are some pointers you may find helpful:

- Remember your audience may not have specialist financial knowledge so try to use language they will find easy to follow.
- Aim to give the audience an overview of how the federation has performed financially in the year, the overall state of its finances at the year end.
- Explain that the accounts have been given an unqualified report by the independent examiner / auditor. (If not, you will need to explain in more detail.)
- You don't need to repeat all the figures as they will have a copy of the accounts so only refer to the major totals, e.g. total income, total expenditure, surplus or deficit for the year, total funds at the year end. Rounding the figures to the nearest thousand makes it easier for the audience to follow.
- You may want to compare with the previous year, e.g. if income or expenditure has increased or decreased significantly or if there has been a significant movement in reserves. Using percentages to express the change can be helpful.
- Highlight any significant or unusual aspects of the accounts that your audience will find interesting, e.g. a significant grant, a significant new source of income or significant one-off expenditure such as on a new building.
- Mention any plans for the coming year that have a significant financial impact.

3.8 Reporting to the Charity Commission

Like all charities, federations have to provide information to their regulator about the way they operate and how they use their resources.

Federations must provide the following information each year:

- Annual Return
- Trustees' Report and Accounts (all registered charities must produce at Trustees Annual Report)

You must also inform your regulator of any changes to your federations' registered details as shown below:

- Charity contact details
- Contact email addresses financial year end
- Trustee details
- Your charity's website address
- Where your charity operates
- Charity classifications
- Description of activities
- Bank or building society account details

Charities are accountable to the public and the regulator makes your federation's information available online so the general public and other interested parties can see how the federation's funds have been used.

You should familiarise yourself with the information about your federation that is shown on your regulator's website. The overview page for your charity shows:

- Brief descriptions of your charity's activities and where it operates
- Financial history, i.e. income and expenditure totals

- Compliance history showing whether annual return and accounts have been submitted by the due date and highlighting late returns
- Further details of your federation via the menu on the left-hand side, including contact and trustee details
- Option to view the annual accounts for the last five years.

An example is shown in appendix 2.5

3.9 Further information and guidance

The Charities Statement of Recommended Practice (SORP) - GOV.UK (www.gov.uk)

[The Charity Commission - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

[Charity reporting and accounting: the essentials November 2016 \(CC15d\) - GOV.UK](#)

[Receipts and payments accounts pack \(CC16\) - GOV.UK](#)

[Accruals accounts pack \(CC17\) - SORP FRS 102 - GOV.UK](#)

[Accruals accounts \(CC39\) SORP 2005: charity accounting template - GOV.UK](#)

4. TAX AND VAT (UK based charities)

Charities receive certain concessions from UK tax because of their charitable status. This section covers the main taxes federations are likely to deal with.

4.1 Basic principles

Charities are normally exempt from tax on income from trading, interest and fundraising, and on capital gains, provided the income is applied to charitable purposes.

Trading profits

Trading profits are exempt from corporation tax provided the trading activity is directly related to the federation's charitable aims and objectives. This is known as 'primary purpose trading'. An example would be provision of an educational activity.

Federations may also undertake non-primary purpose trading in order to raise funds; for example, a sponsorship deal with a local company, or sale of bought in goods in the federation shop. There is a small trades tax exemption which means that a federation can carry on such trading without being liable for tax as long as it does not exceed an annual turnover limit. The annual turnover limit from all of a charity's non primary purpose trading is:

Charity's gross annual income	Maximum permitted small trading turnover
Under £32,000	£8,000
£32,001 to £320,000	25% of charity's total annual turnover
Over £320,000	£80,000

Generally, where a charity's non-primary purpose trading is likely to exceed the small trades exemption threshold, the charity will set up a trading subsidiary company.

Donations by individuals through Gift Aid

Donations to charities are generally exempt from tax. The federation can claim back the basic rate tax paid by individuals from HMRC through Gift Aid. (See 4.2).

Note that this does not apply to membership subscriptions, where HMRC has agreed that WIs can apply Gift Aid to the total subscription paid by members.

Donations from companies don't have tax deducted from them so there is nothing to claim back from HMRC.

Other income exempt from tax:

- Investment income
- Bank or building society interest. Charities should arrange with their bank or building society for this to be paid gross.
- Income from renting out land or property that is held for charitable purposes.
- Capital gains

4.2 Gift Aid

If a federation receives donations from individuals, it can claim Gift Aid provided the donor is a taxpayer and has completed a simple Gift Aid declaration. Gift Aid is worth 25% of the donation. Even if the federation receives only a few such donations, it may be worth claiming.

Gift Aid claims can be made at any time but must be no later than four years after the end of the tax year (i.e. the year ending 05 April) to which the claim relates.

To claim Gift Aid the federation must be recognised as a charity for tax purposes. This is achieved by completing HMRC charities application form ChA1. See also the information on Fit & Proper Persons at 4.6 below.

A claim for Gift Aid must be made using HMRC form R68, available on HMRC's website. If a claim is in order, HMRC say they will normally pay first claims within 25 days and subsequent claims within 15 days.

The federation must keep sufficient records to show that its Gift Aid claims are accurate and that all the conditions of Gift Aid are met, e.g. a record of income received from each individual, copies of the Gift Aid declarations and form R68.

Further [Gift Aid guidance is available on My WI.](#)

4.3 Business rate relief

Charities are entitled to a mandatory 80% reduction in business rates on a non-domestic property which is used for charitable purposes. Local authorities also have discretion to reduce business rates further; for more information of this federations should contact their local authority.

4.4 VAT

In general, businesses that are registered for VAT charge VAT on the goods and services they provide; known as output VAT, and are able to reclaim the VAT they pay on the purchase of goods and services for their business, known as input VAT. The input VAT is deducted from the output VAT and the balance has to be paid to HMRC, or claimed back if input VAT is higher than output VAT.

VAT for charities is usually more complicated than for most businesses as it may not apply to all of a charity's activities. VAT is a tax on business activities, but some activities undertaken by

federations may be classified as 'non-business' and as such are outside the scope of VAT. Certain business activities are exempt from VAT.

Charities firstly have the problem of determining when VAT does and doesn't apply and secondly, since input VAT can only be recovered on expenditure relating to VAT taxable activities, they have to undertake more complex calculations for their VAT returns.

If uncertain about the correct VAT treatment in particular cases, it is advisable to seek advice from your federation accountants who will have particular knowledge of your activities.

4.4.1 VAT rates

There are currently three rates of VAT in the UK:

	%	Applies to
Standard rate	20%	Taxable goods & services that do not qualify for reduced or zero rates
Reduced rate	5%	Certain specified supplies, e.g. fuel and power
Zero rate	0%	Certain specified supplies, e.g. books & printed matter, passenger transport, certain foods (but not catering). Sale of donated goods by charities. Advertising supplied to charities. Construction of new buildings for a relevant charitable purpose.

Note that zero is a VAT rate. Therefore, income subject to the zero-rate counts as taxable income.

4.4.2 Exempt supplies

Under VAT law, certain activities are always exempt from VAT other activities that are exempt from VAT for charities only. No VAT is charged on income relating to exempt activities. However, VAT cannot be recovered on expenditure relating to exempt activities (unless it is de minimis).

The main exempt activities relevant to federations are:

- Fundraising events

Income from fundraising events is exempt. This covers all income, e.g. entry fees, sponsorship, sale of items at the event.

Events must be organised with a clear fundraising purpose, and this must be made known. In practice this means that any publicity relating to the event should state that the purpose is to raise funds.

Up to 15 events of the same kind in the same location can be held in one financial year. Small scale events where takings do not exceed £1,000 in one week do not have to be counted for this purpose.

- Lotteries

Raffle and lottery tickets where the winner is determined by chance, are exempt from VAT. If any element of skill is involved, then this would be a competition rather than a lottery and normally standard rate VAT would apply.

- Education

Education is defined in VAT Notice 701/30 as:

'A course, class or lesson of instruction or study in any subject, whether or not normally taught in schools, colleges or universities and regardless of where and when it takes place. Education includes lectures, educational seminars, conferences and symposia together with holiday, sporting and recreational courses.'

Education is exempt if it is carried out by an 'eligible body' (federations fall within the definition of eligible body) and provided that any profits made from exempt educational supplies must be applied to educational activities.

- Sports

Certain sports are exempt when supplied to individuals by eligible bodies. The full list of exempt sports is given in VAT notice 701/45. The exemption covers entry or joining fees, ancillary services such as coaching or equipment and entry fees to competitions. However, it does not cover catering, transport or spectator admission fees.

4.4.3 When you should register for VAT

You must register for VAT if your turnover from taxable supplies in the previous 12 months has gone over the VAT threshold or if you think your turnover may go over this limit in the next 30 days.

You should regularly check your turnover against the current threshold. In 2024/25 the VAT threshold is £90,000. The threshold usually changes once a year and is announced in the Budget.

Taxable turnover is your total annual income from standard and zero-rated supplies. It does not include exempt or out of scope activities.

You can choose to register voluntarily for VAT even if you don't have to. The main reason for doing this would be if you estimated that there would be a net benefit from the input VAT that could be recovered.

4.4.4 Claiming back input VAT

VAT paid on the purchase of goods and services that are used entirely for activities that are subject to VAT can be recovered from HMRC in full.

No VAT can be recovered on the purchase of goods and services used entirely for exempt activities, or non-business activities if there are any.

In practice, some goods and services purchased by federations cannot be allocated in full to taxable, exempt or non-business activities, e.g. overhead expense that relate to all federation activities or purchases used for both taxable and exempt activities. The VAT on these costs, known as residual VAT, must be apportioned between the types of activity and only the portion relating to taxable activities can be recovered.

Note that when recording the amount of VAT paid by the federation, it is therefore important that the accounting system identifies whether it relates to taxable, exempt or non-business if it can be directly allocated or identifies it as residual VAT if it is a shared expense.

If the federation undertakes non-business activities it must first allocate a proportion of the residual VAT to these. Then the remaining residual VAT has to be split between taxable and exempt activities using a partial exemption calculation.

Partial exemption calculation:

Residual VAT is based on the proportion of taxable and exempt income (net of VAT).

The formula for calculating the percentage of the residual VAT relating to business activities, i.e. the percentage that can be recovered, is:

$$\% \text{ to be recovered} = \frac{\text{Taxable income in the period}}{\text{Total business income in the period}}$$

It follows that the remaining proportion cannot be recovered.

4.4.5 De minimis limit

The total input tax relating to exempt activities is:

VAT on goods and services used entirely for exempt activities

plus

Irrecoverable residual VAT as determined by the partial exemption calculation

If this total is not more than £625 per month on average and half the total input tax in the relevant period, it falls within the de minimis limits and all the input tax can be recovered. However, you must do the apportionment calculation to determine this.

4.4.6 Annual adjustment

The partial exemption calculation must be completed each quarter. At the end of the year, it must be undertaken for the full year and any difference between the annual total and the sum of the four quarterly totals is paid over or recovered

4.4.7 VAT returns

A VAT return must normally be completed each quarter and submitted to HMRC together with any payment due, by one month after the quarter end. HMRC imposes fines for late returns and payments.

You are required to submit online VAT Returns and pay electronically.

If an error is discovered after your VAT return was submitted, e.g. due to incorrect data entry, you must correct it if it is less than three years old. If the net value of the error is less than £10,000 the adjustment can be included on the next VAT return.

There are two optional schemes that Federations may wish to consider:

- **Cash accounting:** VAT returns are based on cash received and expended rather than on the date of invoices. This may improve cashflow but not always.
- **Annual return:** Instead of quarterly returns you can apply to complete an annual return. This can coincide this with your financial year end and with the annual adjustment for partial exemption. You have two months to complete the return. This approach reduces the amount of work but places a high reliance on accurate and timely bookkeeping.

See appendix 3.1 for a VAT status of income table breakdown

4.5 PAYE and NICs

In conjunction with the Chairman and Officers, the Treasurer must ensure that the organisation has appropriate recruitment and employment policies and procedures. The NFWI issues separate guidance on HR.

The Treasurer is responsible for ensuring that staff members are paid regularly and the correct deductions are made for income tax (PAYE) and National Insurance Contributions (NICs). She

must ensure a payroll record is maintained and starter / leaver records and the Employer's Annual Return are filed with HMRC.

By law a record known as the P11, or equivalent must be kept of all payments to and deductions from each employee. These include:

- Their National Insurance contributions
- The amount of tax deducted under PAYE (Pay as You Earn)
- The amount of any student loan deductions
- Statutory Sick Pay (SSP)
- Statutory Maternity Pay (SMP)
- Ordinary Statutory Paternity Pay (OSPP)
- Additional Statutory Paternity Pay (ASPP)
- Statutory Adoption Pay (SAP)

Smaller employers such as federations may maintain a paper based P11 system. HMRC also provides a free downloadable P11 calculator that provides the facility to maintain payroll records in electronic form.

The Employer's Annual return must be filed by 19 May following the end of the tax year. Almost all employers must now file this online. Details of how to do this are given on HMRC's website.

See 4.7 for further sources of help on maintaining and filing payroll records.

4.6 HMRC 'fit and proper persons' requirement

The Finance Act 2010 introduced a new definition of 'charity' for tax purposes. For a charity to meet this definition and therefore to qualify for charity tax reliefs, its managers must be fit and proper persons. This is known as the 'management condition'. (In federations the managers are the trustees.)

At present the definition applies to charities claiming repayments under Gift Aid but will be extended to other charity tax reliefs and exemptions in due course.

HMRC assumes that all people appointed by charities are fit and proper persons unless they have information to show otherwise. There is no statutory definition of a fit and proper person but the factors that may lead to HMRC deciding that a manager is not a fit and proper person include:

- A history of tax fraud
- A history of other fraudulent behaviour including misrepresentation and/or identity theft
- HMRC having knowledge of involvement in attacks against or abuse of tax repayment systems
- Being barred from acting as a charity trustee by a charity regulator or Court or being disqualified from acting as a company director

If HMRC finds a manager of a charity is not a fit and proper person, it will not automatically lose entitlement to tax reliefs. HMRC can use its discretion to allow relief where the charity made a genuine mistake and there has been no misuse of charity tax relief.

HMRC's guidance says that provided charities take appropriate steps on appointing personnel then they may assume that they meet the management condition at all times unless, exceptionally, they are challenged by HMRC.

HMRC suggests charities may comply with the requirement by asking new trustees:

- To read HMRC's basic guide on fit & proper persons (see 4.7)
- To sign a declaration based on the model declaration included in the guide

Although currently the fit and proper persons requirement only apply to federations claiming Gift Aid, it will be extended at a future date, and your federation may decide to implement the procedure now for all new trustee appointments.

4.7 Further information and guidance

HMRC

VAT Notices & reference materials [HM Revenue & Customs - GOV.UK \(www.gov.uk\)](https://www.gov.uk) including:

700	The VAT Guide
700/1	Should I be registered for VAT?
700/12	Filling in your VAT return
701/1	Charities
701/10	Zero rating of books etc
701/30	Education and vocational training
701/45	Sport
701/58	Charity Advertising
706	Partial exemption
708	Buildings and construction
709/5	Tour Operators Margin Scheme
731	Cash accounting
732	Annual accounting
742	Land and property
CWL4	Fundraising events

Form ChA1 – to register as a charity for tax purposes

<http://www.hmrc.gov.uk/charities/cha1.pdf>.

Fit & proper persons guidance

<http://www.hmrc.gov.uk/charities/guidance-notes/chapter2/fp-persons-test.htm>

PAYE for employers:

<http://www.hmrc.gov.uk/payee/index.htm>

Filing annual payroll returns:

<http://www.hmrc.gov.uk/payee/payroll/year-end/annual-return.htm#5>

[PAYE and payroll for employers: Introduction to PAYE - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

END