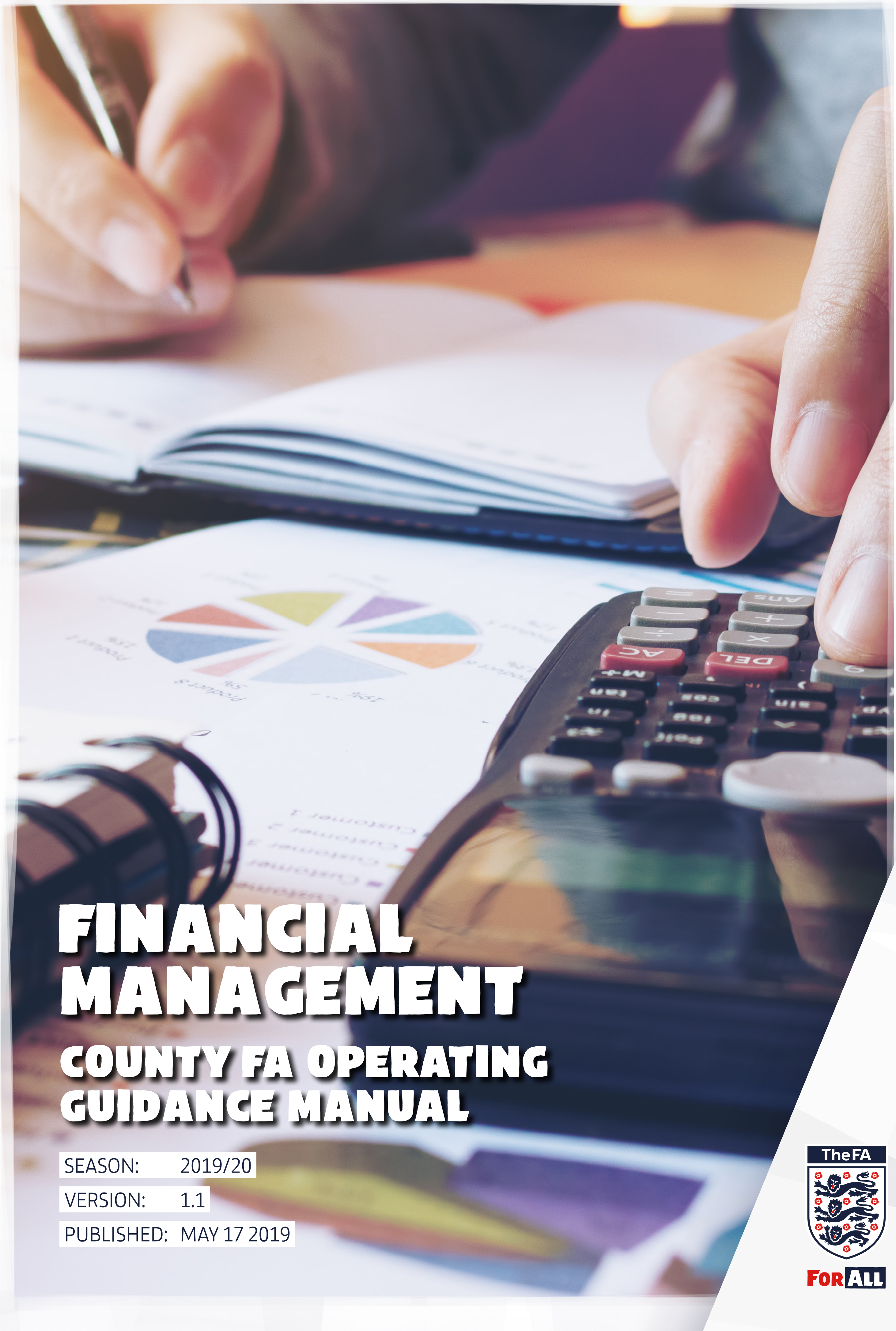

FINANCIAL MANAGEMENT

COUNTY FA OPERATING GUIDANCE MANUAL

SEASON: 2019/20

VERSION: 1.1

PUBLISHED: MAY 17 2019

The FA

FOR ALL

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SUPPORTING INFORMATION

FOREWORD

Welcome to the County FA Financial Management Operating Guidance Manual, designed to provide relevant information, guidance and support to County FAs on financial management matters.

Financial management is at the heart of any business and The FA is committed to helping the County FA network meet this guidance.

This manual has been produced to assist County FA Finance Officers, Chief Executive Officers (or equivalent) and Board Members understand and meet the Financial Management Operating Guidance identified in Section 02, so that a consistent level of financial management can be maintained across the County FA network.

This is not a step-by-step guide on how County FAs should process financial transactions, or a guide on how to use suitable and relevant accounting software. Ensuring the right level of book-keeping and accountancy skills exist remains the responsibility of each County FA, who should ensure that suitably experienced and skilled personnel are employed so that the Financial Management Operating Guidance referred to in Section 02 can be achieved.

For those County FAs using XERO (The FA's preferred accounting software partner), there are a host of online resources available (see Section 01, Topic 3) to assist County FAs minimise the administrative burden of day-to-day financial management.

"Financial management is at the heart of any business."

This manual has three core sections:

- **Section 01** provides a general overview on some of the key financial areas for County FAs, including information on how The FA reviews the financial health of County FAs. Section 01 also includes a number of easy-to-follow examples to help generate a better understanding of the key financial statements, namely the profit and loss account and balance sheet.
- **Section 02** focuses on the 11 agreed areas of Financial Management Operating Guidance. Comprehensive consultation with County FAs has taken place regarding these guidance notes. They have been designed to help raise standards of financial management across the County FA network.

  In each area covered in Section 02, there are four main headings, designed to simplify and assist understanding:

  WHAT IS IT?

  A simple explanation of the relevant finance topic in question.

  WHY DO IT?

  Why the Financial Management Operating Guidance is beneficial to your County FA.

  HOW DO YOU DO IT?

  An easy-to-follow 'How to' guide.

  THINGS TO REMEMBER:

  A reminder of the key things to consider.
- **Section 03** then provides a host of supporting information to assist County FAs with their financial management. Topics range from the benefits of benchmarking with other County FAs to an outline of some of the key taxation considerations.

While it is acknowledged that no two County FAs are the same, greater uniformity and standardisation of how County FA finances are managed and reported will help The FA and County FA network benchmark, identify and share more good practice. This will help improve overall financial performance across the network, so that ultimately, more money can be re-invested back into grassroots football. Equally importantly, it will mean County FAs are minimising financial risk.

This manual replaces the previous Operational Finance Manual for County FAs (produced in 2014).

This manual will be formally reviewed annually, but also updated if there are any significant changes in policy or legislation. Every time there is an update, notification will be issued to County FA CEOs and designated Finance Officers, with full details provided of the items updated.

The language used throughout this document is deliberately designed to be 'jargon-free'. However, links to an online Glossary of Terms are referenced in Section 03, Info 12.

If further clarification is required on any information within this manual, please contact your FA Regional Manager in the first instance.

Chris Tinbergen
FA Business Support Manager
May 2019

01

THE FRAMEWORK

TOPIC 1: OVERVIEW OF FINANCIAL MANAGEMENT

The term 'financial management' covers a multitude of areas, including, effective budgeting, the timely production of your Profit and Loss Account and Balance Sheet, your cashflows and the benchmarking of your financial performance against similar organisations. Financial Management also ensures you correctly manage your key assets, effectively invest any cash reserves you may have and also makes sure you implement financial controls to ensure all financial aspects of the business are adequately protected.

Ultimately, financial management is about ensuring that business leaders can make intelligent decisions with the help of accurate and relevant financial information.

There are a number of fundamental areas of financial management that any organisation should follow, regardless of the industry they are in, or the size of the organisation. The diagram below identifies key areas considered relevant to County FAs, each of which will be covered in more detail within this Guide.

"Financial management is about ensuring that business leaders can make intelligent decisions with the help of accurate and relevant financial information."

TOPIC 2: FA REVIEW OF COUNTY FA FINANCES

As major financial benefactors to the County FA network, it is important that The FA maintains a high-level understanding of the financial health of all County FAs.

The FA Review of County FA Finances, an annual exercise where all County FA statutory accounts are analysed, allows The FA to do this, whilst also identifying and ultimately sharing examples of good practice and financial strength, which can then subsequently be used to help improve financial performance across the network.

Under company law, all businesses are required to submit to Companies House a copy of their Statutory Accounts within nine months of their year-end. County FAs are required to also submit a copy of these Statutory Accounts to The FA Business Support Manager within one month of the approval of either their board and or voting members. These Statutory Accounts must include a detailed income and expenditure account.

From this information, an internal summary is subsequently prepared by The FA, which covers the financial results of all County FAs.

The information analysed includes:

- Profit/loss for the year;
- Net asset value as at the year-end (see Section 01, Topic 5);
- Cash at bank as at the year- end;
- Salary costs as a % of total turnover;
- FA grant income as a % of total turnover;
- Affiliation income as a % of total turnover;
- Football development income as a % of total turnover;
- Commercial income as a % of total turnover.

From this information, The FA is able to 'risk-categorise' all County FAs, strictly for internal purposes only, into one of three groups, using the following criteria:

MINIMAL OR LOW RISK

Any County FA, whose financial results report that there has been either:

a) A significant (in excess of £10k) positive swing in profits in the year compared to the previous year;

b) Consistent profits in both the current year and the previous year (with less than a £10k swing either way);

...will be classified as **MINIMAL** or **LOW RISK**.

LOW TO MEDIUM RISK

Any County FA whose results highlight that either:

a) Profits have been reported in both the current year and the previous year, but the level of profits have fallen by more than £10k in the current year due to a significant fall in turnover and/or a significant increase in costs;

b) A loss has been reported in the current year which is not classed as 'significant' (and historically, profits have been returned) and the summary reasons for the losses require further review;

...will be classified within the **LOW** to **MEDIUM RISK** scale.

MEDIUM TO HIGHER RISK

Any County FA whose results highlight that the County FA has reported either:

a) Consecutive losses in the current and previous year;

b) A 'significant' negative swing in profit/loss (significant being in excess of £50k) in the current year, compared to the previous year, where a more detailed understanding is required for the reasons behind this;

c) A negative net current asset value on their balance sheet at the year-end;

...will be classified within the **MEDIUM** to **HIGHER RISK** scale.

These lists are not exhaustive and other risk factors may surface that place a County FA into one of these categories.

"...it is important The FA maintains a high-level understanding of the financial health of all County FAs. The FA Review of County FA finances, an annual exercise where all County FA statutory accounts are analysed, allows The FA to do this, whilst also identifying and ultimately sharing examples of good practice and financial strength, which can then subsequently be used to help improve financial performance across the network."

The FA Business Support Manager will subsequently discuss the risk categorisation of each County FA with the relevant FA Regional Manager, with if required, an accompanying action plan to be discussed with the relevant County FA CEO (or equivalent) and Chair. This information remains strictly confidential and is only circulated to the relevant FA Regional Manager, The FA Business Support Manager, The FA Head of Operations and any other senior FA Executives deemed relevant. An anonymous version of this report is then shared with The FA Affiliated Associations Committee and The FA National Game Board (NGB).

In addition to the annual review, under the terms of The FA National Game Board Funding Agreement, it is contractually agreed that The FA Regional Managers will conduct a 'minimum of one Review Meeting every six months' with each County FA. As part of this review process carried out by FA Regional Managers, County FAs will also be asked to submit the following information, designed to provide a snapshot of the latest financial position:

- Current profit/loss as per their latest available Management Accounts;
- Budgeted profit/loss for that period;
- Forecast year-end profit/loss.

This information will be reviewed by The FA Business Support Manager to identify any potential issues that may be considered worthy of further, more detailed analysis. Should this be considered necessary this will be carried out in conjunction with the County FA CEO (or equivalent), Chair and The FA Regional Manager.

TOPIC 3: APPROVED ACCOUNTING SOFTWARE

In June 2018, The FA confirmed that XERO Accounting Software would be the preferred accounting software partner for the County FA network and subsequently the only accounting software that would be considered for integration with other approved FA software, such as the Whole Game System (WGS).

XERO are a modern business, well established across New Zealand, Australia, the USA and Europe, with a UK base in Milton Keynes. They boast over one million customers worldwide and have enjoyed substantial growth over the past 10 years.

Their product is cloud-based, innovative and competitively priced and widely used and accepted by all major accountancy firms and the majority of UK banks. They trade with partners across multiple industries and their system is available to multiple users at no extra cost. A 25% discount off their standard price is also available for not-for-profit organisations.

Whilst it is not obligatory for all County FAs to use XERO, there is an expectation that all County FAs utilise accounting software packages approved by the Institute of Chartered Accountants of England and Wales (ICAEW). However, The FA is only committed to supporting and integrating XERO as the preferred supplier.

XERO have a range of support services available for any County FA using their software. The vast majority of their support is online, through a range of services, including:

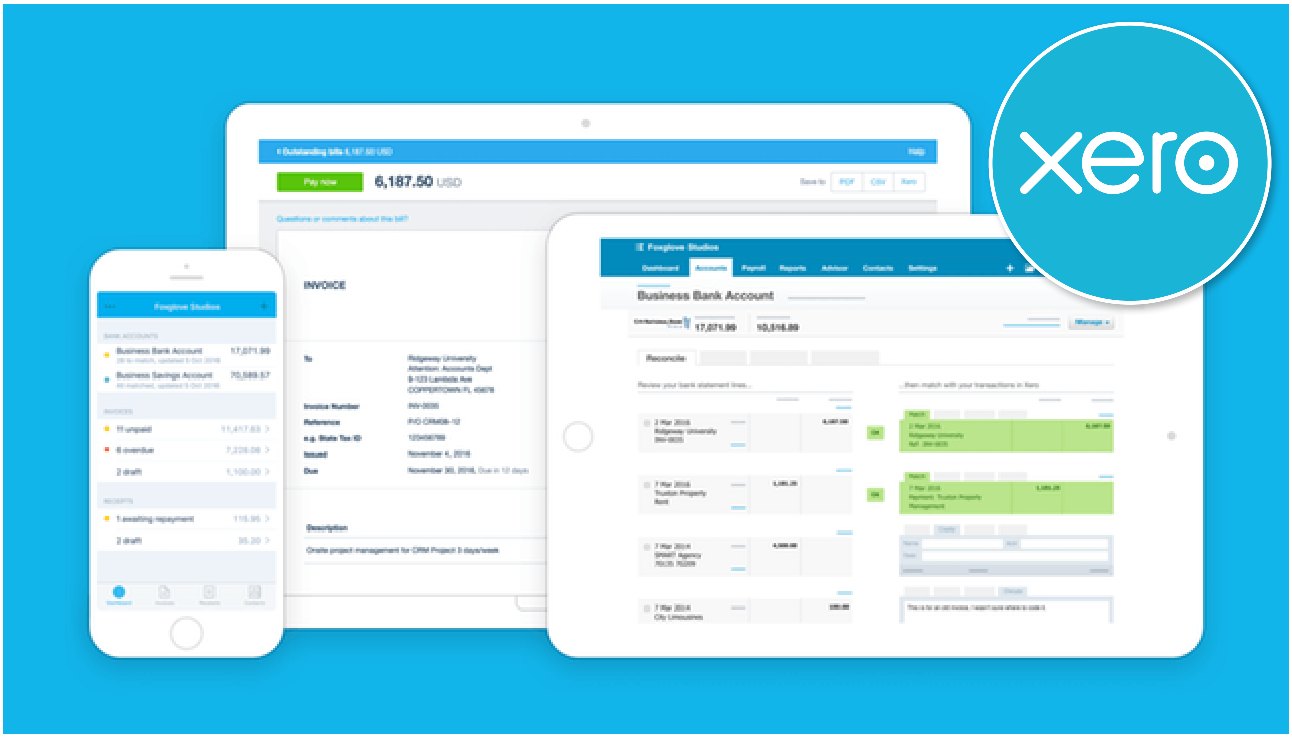
- XERO U – where a series of webinars, training courses and other educational content can be found
- XERO CENTRAL – where a library of FAQs, created by the growing community of XERO users, with relevant answers, can be found
- XERO TV – where a series of 'How to...' videos can be watched to assist learning

Further details of XERO's products and services is available at **www.XERO.com**.

The FA also has a designated Account Manager at XERO:

Lee Chandler
Small Business Specialist – Partnerships
Lee.Chandler@XERO.com

It is Lee's responsibility to ensure all County FAs are satisfied with the XERO product and support. Should any County FA have any complaints regarding XERO, they should contact Lee in the first instance, making sure The FA Business Support Manager is copied in.



TOPIC 4: COUNTY FA FINANCES MADE EASY – THE PROFIT AND LOSS ACCOUNT

Many businesses are often guilty of over-complicating their finances. County FAs can be complex businesses, however from a financial perspective; they are relatively straight forward models. It is important therefore to keep the finances simple.

There are some key areas to focus on to help you better understand and manage your County FA finances.

In this chapter, we concentrate on the County FA profit and loss account (sometimes referred to as an income and expenditure account). Your profit and loss account records the money your business has earned (sales or income) against the money you have spent (costs or expenditure). The difference between the two is reported as 'profit or loss'.

INCOME

Many County FAs have a large number of different nominal ledger codes/accounts for their income and sales. For the vast majority of County FAs, your income can be categorised into just 10 key headings, as follows:

1. **FA GRANTS:** The FA provides a grant to each County FA as part of the funding agreement to help deliver the National Game Strategy. For the vast majority of County FAs, this is the single largest income stream and is paid monthly direct into County FAs as part of the monthly distribution process.
2. **NON-FA GRANTS:** Some County FAs have attracted additional grants from other sources, i.e. to deliver health or education projects. These should be reported separately to the grants received from The FA.
3. **DISCIPLINE INCOME:** The income generated predominantly through the issuing of yellow and red cards from within the affiliated game. There is a large volume of these low-value transactions which is predominantly administered through The FA Whole Game System (WGS). There is also additional discipline-related income that can be categorised under this heading, such as appeals and hearings.
4. **FOOTBALL DEVELOPMENT INCOME:** The income generated from running coaching courses (Level 1, Level 2, etc.) in association with FA Education. After FA grant income, this area is for the majority of County FAs, the next most significant revenue stream.
5. **AFFILIATION INCOME:** The fees charged to clubs and teams within your County FA to allow them to participate in affiliated football each season.
6. **REFEREES' INCOME:** Fees paid by referees to allow them to officiate each season, plus any fees charged to referees for attending training and development courses.
7. **CUP COMPETITIONS:** The income generated through gate receipts, programme sales, car parking etc. for the various cup finals staged by the County FA.
8. **COMMERCIAL INCOME:** This can be a wide range of commercial activities, ranging from bar takings, to pitch hire, sponsorship to the hire of meeting rooms or office space. Some County FAs are actively expanding their commercial activities, to include golf days, awards evenings, even income from solar panels.
9. **INTEREST RECEIVED:** Interest received from banks or investments.
10. **OTHER INCOME:** Income received from any other sources that cannot be categorised in any of the other headings above.

"County FAs can be complex businesses. However from a financial perspective, they are relatively straightforward, and therefore it's important to keep things simple."

EXPENDITURE

Within expenditure there are a few more headings to consider, but focus is advised on the following eight key areas:

1. **SALARY COSTS:** The single most significant cost for any County FA. It should include staff and directors' wages, national insurance (NI) contributions, pension contributions and honorariums. For most County FAs, salary costs will account for between 45%-60% of total income.
2. **FOOTBALL DEVELOPMENT COSTS:** The costs associated with the coaching courses run by your County FA, such as tutors' fees, facility costs and course material costs. By comparing your football development income and your football development costs, you should gain an indication of the profitability (or otherwise) of your County FA courses.
3. **ESTABLISHMENT COSTS:** After your salary and football development costs, establishment related expenditure is most likely to be the next most significant cost to your County FA. As part of the Standard Chart of Accounts referred to in Section 02, Area 2, you will most likely have separate headings for rent, rates, heat, lighting and power, but collectively they are likely to account for a considerable proportion of your total expenditure.
4. **REFEREE COSTS:** Similar to your football development costs, the costs associated to the referee administration and training can be measured against the referee income to help understand the financial impact on the business.
5. **CUP COMPETITION COSTS:** The costs associated to the cup competitions staged by your County FA, when reviewed alongside the income generated, will help provide an insight into the financial impact they have on the business.
6. **COMMERCIAL COSTS:** With any commercial activity, it is imperative that management can clearly establish the levels of profitability associated in generating the commercial income, so all costs associated to the management and maintenance of your commercial contracts can be recorded.
7. **ADMINISTRATION COSTS:** There will be a host of additional costs that County FAs will incur, such postage, printing, stationery, legal fees and marketing costs.
8. **SUNDRIES:** There will always be a collection of other expenses incurred by the business that do not fit into the key categories listed above. If the levels of expenditure are not significant, they do not need to be analysed individually but can be grouped together and classified as sundry expenses. Be careful however not to use this account as a dumping ground. Always try and allocate costs to the right headings where possible.

In Section 02, Area 3, you will see how these key areas of income and Expenditure are reported in the Standard Chart of Accounts.

TOPIC 5: COUNTY FA FINANCES MADE EASY – THE BALANCE SHEET

The balance sheet is another of the key financial statements used by accountants and business owners alike, to help you understand the financial health of your business. The balance sheet has three main areas of focus, your assets, your liabilities and the shareholders or owner's equity. Think of it as a snapshot of the business worth, at a given point in time: what you own vs what you owe.

WHAT YOU OWN – YOUR ASSETS

The things your business owns are known as your 'assets'. Your assets can either be classified as FIXED, i.e. are likely to be owned and not change for at least 12 months (such as the building your business is based in, or the IT equipment you own), or CURRENT, the assets that change on a frequent basis, such as the cash in your bank account, debts owed to you by your customers, or any stocks you hold.

WHAT YOU OWE – YOUR LIABILITIES

The costs that your business owes to others are recorded as your 'liabilities'. These could be purchases you have been invoiced for but you haven't yet paid, any taxes you owe, or loans not yet repaid. Your liabilities are recorded either as CURRENT, i.e. have to be repaid within 12 months, or LONGER TERM, i.e. repayable in more than 12 months.

NET WORTH/OWNERS' EQUITY

The difference between what you own (your assets) and what you owe is (your liabilities) known as the NET WORTH or OWNERS' EQUITY of the business.

The main terms on a sample balance sheet are detailed and explained overleaf.

FIXED ASSETS

Your fixed assets are likely to be the most valuable assets owned by your business. They are purchased for long-term use and unlikely to be converted quickly into cash.

Most County FAs will have similar categories of fixed assets, for example:

- Land and buildings;
- Fixtures and fittings;
- IT equipment.

Land and buildings tend to be valued anually, so that the value recorded in the accounts remains realistic. If there is substantial difference between what the original cost was and the latest valuation, the difference between the two is reported in the accounts. For all other assets, it is normal accounting practice to write off the value of these fixed assets over what is expected to be their useful life. This write-off is reported in your accounts as 'depreciation'.

Example:

The County FA own its own premises, which originally cost £500,000. After being valued at the end of the accounting period, the original cost is considered to be a reasonable valuation still, with no adjustments considered necessary.

The County FA also purchased some computer equipment for £4,000 in the first month of a new financial year. The useful life of this equipment is expected to be four years, after which time, it will have no re-sale value.

The equipment is recorded in the County FA's balance sheet as a fixed asset, with an original cost of £4,000 but each year, 25% of that cost is written off through a depreciation charge, which effectively reduces the value of the asset on the balance sheet over a four-year period.

At the end of the financial year, the accounts report the fixed asset value as follows:

FIXED ASSETS	ORIGINAL COST	DEPRECIATION	CURRENT VALUE
LAND & BUILDINGS	500,000	-	500,000
COMPUTER EQUIPMENT	4,000	1,000	3,000
TOTAL FIXED ASSETS	504,000	1,000	503,000

CURRENT ASSETS

The current assets of a business are those assets easily converted into cash, which change on a frequent basis, such as debtors (money owed to you by your customers), stocks or cash in your bank account.

Example:

The County FA has £245,000 in its current bank account at the end of their accounting period, with a further £125,000 in a high-interest deposit account. The business is also owed a total of £15,000 by a number of their clubs for affiliation fees for the season, which have been invoiced, but not yet paid. Furthermore, the County FA has a bar, which has stock at the end of their accounting period of £4,000. The Balance Sheet would record these current assets as follows:

BANK CURRENT ACCOUNT	245,000
BANK DEPOSIT ACCOUNT	125,000
DEBTORS	15,000
STOCKS	4,000
TOTAL CURRENT ASSETS	389,000

LIABILITIES

Your liabilities are the monies your business owes to others, reported at the end of any given accounting period within your balance sheet. They are reported within your accounts either as CURRENT (i.e. repayable within the next 12 months) or LONGER TERM (i.e. repayable in more than 12 months' time).

Example:

At the end of the accounting period, the business owes money to a number of different sources. There are some invoices from suppliers that have been received, but not actually paid yet, totalling £12,000. Last month's PAYE and NI bill for £9,000 hasn't been paid yet and there is a loan from The FA of £110,000 still outstanding, £10,000 of which is due to be paid over the next 12 months, the remaining £100,000 is payable over the coming 10 years.

CURRENT LIABILITIES

TRADE CREDITORS	12,000
TAXATION	9,000
LOAN (payable within 12 months)	10,000
	31,000

LONGER-TERM LIABILITIES

LOAN (amounts due after more than one year)	100,000

NET CURRENT ASSETS

The difference between your current assets and your current liabilities is reported on your balance sheet as your NET CURRENT ASSETS and is one of the indicators used to help evaluate the overall health of a business (see Section 02, Area 6).

NET ASSETS: You can bring all of the above together to calculate the NET ASSETS of the business – basically, the TOTAL ASSETS (fixed and current), minus the TOTAL LIABILITIES (fixed and current).

Using the examples above, a **complete balance sheet** would look like this:

FIXED ASSETS:

LAND & BUILDINGS	500,000
COMPUTER EQUIPMENT	3,000
TOTAL FIXED ASSETS	503,000

CURRENT ASSETS:

BANK CURRENT ACCOUNT	245,000
BANK DEPOSIT ACCOUNT	125,000
DEBTORS	15,000
STOCKS	4,000
TOTAL CURRENT ASSETS	389,000

CURRENT LIABILITIES:

TRADE CREDITORS	12,000
TAXATION	9,000
LOAN (payable within 12 months)	10,000
	31,000
NET CURRENT ASSETS:	358,000

LONGER-TERM LIABILITIES:

LOAN (amounts due after more than one year)	100,000
NET ASSETS	**761,000**


Summary Report
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Product3
Product4
Product5

02

COUNTY FA FINANCIAL MANAGEMENT OPERATING GUIDANCE: THE MAIN AREAS

INTRODUCTION

It is important all County FAs maintain an acceptable level of financial management at all times. To help achieve this, a number of operating guidance areas have been identified.

None of these areas are unusual for any small- to medium-sized enterprises (SMEs) and most County FAs already meet some, if not all of them.

Through a combination of the FA Review of County FA Finance (see Section 01, Topic 2) and through the FA Regional Managers' Review process, County FAs will be encouraged to work to the levels set out in these areas .

County FAs that do not currently meet the practices detailed in this section will be provided with suitable support from The FA to do so.

County FAs who wish to receive further support on any of these areas, or would like further information, should contact their accountants or the FA Business Support Manager.

WHAT ARE THEY?

The areas covered in the following pages contain tips and advice to help improve the level of financial information available to County FA management. The intention is to enable better and more informed business decisions to be possible, based on financial data.

WHY DO IT?

It is imperative that ALL businesses keep financial-related issues high on their agenda. The topics covered in this section are a logical approach to ensure all County FAs have a satisfactory level of financial information available to ensure informed business decisions are made at all times.

They will also help provide a more standardised approach to County FA finances, which will assist with identifying, but more importantly, sharing strong financial performance. This will ultimately help increase opportunities for the County FA network to invest more in football participation and development projects.

HOW DO I DO IT?

Each of the areas is explained in more detail in the following pages. There is an expectation that each County FA has access to a certain level of basic book-keeping, accountancy resource and suitable accounting software to assist them.

Should any County FA need further assistance, guidance or support, please contact the FA Business Support Manager or your Regional Manager.

THINGS TO REMEMBER:

This overall manual is being introduced to help improve the quality of financial management across the whole County FA network, so all County FAs can make better and more informed business decisions.

The topics covered will also help The FA identify and more importantly share, more examples of good financial performance, which, once shared across the network, will help improve financial health. Improved financial health will subsequently help create more opportunities for County FAs to offer more football participation and development opportunities.

The performance levels set out in the 11 areas which follow are not considered difficult to achieve. In fact, most County FAs already meet some, if not all of them. The 11 areas are set out diagramatically below.

At your review meetings with your Regional Managers, all County FAs will be asked to provide an update on their status in each area by completing the following document. It uses a simple red/amber/green (RAG) rating system.

A host of support mechanisms are available to assist County FAs. See Section 03 for more details.

1. **EFFECTIVE BUDGETING**
2. **STANDARD CHART OF ACCOUNTS**
3. **MANAGEMENT ACCOUNTS**
4. **CASHFLOW PROJECTIONS**
5. **CASH RESERVES**
6. **ACCOUNTING RATIOS**
7. **INVESTMENT PLANNING**
8. **FIXED ASSET MANAGEMENT**
9. **INTERNAL CONTROLS**
10. **COUNTY FA YEAR ENDS**
11. **STATUTORY ACCOUNTS & YEAR-END AUDITS**

COUNTY FA QUARTERLY REVIEW

FINANCIAL MANAGEMENT OPERATING GUIDANCE UPDATE

Date: ______________________

Regional Managers to discuss and agree with County FA CEOs how performance in each of the financial management operating guidance areas should be categorised:

RED

There is currently no evidence to suggest these guidance areas will be met. Additional support advised to assist the County FA.

AMBER

There is satisfactory evidence that progress is being made in achieving these guidance areas and the County FA expects to have this in place ahead of the target date of June 2020.

GREEN

There is satisfactory evidence to confirm that these guidance areas are consistently being met.

AREA 1: EFFECTIVE BUDGETING

The County FA has budgets prepared for the year, which have been approved at board level.
The budgets have been phased across the year.

Comments:			
Rating:	RED	AMBER *(circle the agreed rating)*	GREEN

AREA 2: STANDARD CHART OF ACCOUNTS

The standard chart of accounts is being used to represent the year-end income and expenditure report as part of the statutory accounts.

Comments:			
Rating:	RED	AMBER *(circle the agreed rating)*	GREEN

AREA 3: MANAGEMENT ACCOUNTS

Regular management accounts are being prepared throughout the year (quarterly/monthly). The management accounts report ACTUAL v. BUDGET, VARIANCE & PRIOR YEAR. The management accounts also include a supporting commentary/ narrative. Management accounts are prepared in a timely manner.

Comments:
Rating: ● ● ● *(circle the agreed rating)*

AREA 4: CASHFLOW PROJECTIONS

A cashflow statement is in use by the County FA, allowing management to identify any surplus reserves that are available for investment.

Comments:
Rating: ● ● ● *(circle the agreed rating)*

AREA 5: CASH RESERVES

Cash reserves are within levels deemed 'sensible' as per National Game Board (NGB) guidance.
Any funds allocated for future capital projects are clearly identified.

Comments:
Rating: ● ● ● *(circle the agreed rating)*

AREA 6: ACCOUNTING RATIOS

The County FA is using accounting ratios to assist management understand the overall financial health and performance of the business.

Comments:
Rating: ● ● ● *(circle the agreed rating)*

AREA 7: INVESTMENT PLANNING

The County FA has an investment plan in place, to help maximise potential returns on their cash reserves

Comments:
Rating: *(circle the agreed rating)*

AREA 8: FIXED ASSET MANAGEMENT

The County FA has a fixed asset schedule which records all assets, expected life and potential replacement dates.

Comments:
Rating: *(circle the agreed rating)*

AREA 9: INTERNAL CONTROLS

There is sufficient evidence to support that the County FA has internal controls, policies and procedures in place, which are being followed.

Comments:
Rating: *(circle the agreed rating)*

AREA 10: COUNTY FA YEAR ENDS

The County FA has a 30 June year end.

Comments:
Rating: *(circle the agreed rating)*

AREA 11: STATUTORY ACCOUNTS & YEAR-END AUDITS

The County FA has its year-end audit/independent review and production of statutory accounts planned and will meet necessary timescales to allow board approval to be approved ahead of submission to Companies House (which must be no later than nine months from the financial year end).

Comments:	
Rating:	*(circle the agreed rating)*

AREA 1: EFFECTIVE BUDGETING

The first of the key essentials of good financial management is to ensure effective budgeting is completed and approved by the board, prior to the start of each financial year.

WHAT IS IT?

Setting a budget is an essential part of becoming financially literate. It is a glance into the financial future of your organisation, giving you an initial insight into whether your business will make a profit or a loss in the coming year.

For organisations the size of County FAs, the budgeting process is relatively straight forward and can be created simply by focusing on the key profit and loss headings discussed earlier within this guide (see Section 01, Topic 4).

Naturally, if there are major changes to your business planned in the coming 12 months (such as a change of facility), more detail will need to be considered and expert advice from your Finance Director/accountants is advised.

By using a mixture of historical financial performance (i.e. what income and expenditure you reported in previous years), an understanding of potential changes on the horizon within your business (i.e. a contractual rise in rental costs) and some predictions based on some plans you may wish to introduce to drive your business forward in the coming season (i.e. a plan to increase club affiliation fees by 5%), it is possible to paint a picture of where your business could be in 12 months' time quite easily.

As with any predictions, 100% accuracy is near on impossible and a budget is not expected to be that, however as long as your predictions are sensible, logical and realistic, the budgeting tool can be hugely beneficial as part of your financial management strategy.

WHY DO IT?

Budgeting allows the organisation to estimate its projected income and expenditure over a chosen time period (for a period of three years in advance as a minimum). This not only provides management with important insight into the future profit/loss for this three-year period, but can also assist the management of key areas such as cashflow or cost control.

If, having pieced together your budgets, they indicate that substantial profits will be generated, the budget will help you plan how best to invest those profits. Alternatively, if the budgets indicate losses, it will help you address such problems at an earlier stage to prevent losses potentially jeopardising the long-term stability of the business.

County FAs are encouraged to engage their workforce within the budgeting process. Your workforce will be closer to the day to day issues than anyone and will more often than not, be able to offer ideas on how to drive income, save costs, or both. Whilst it is accepted that certain financial elements of your business should remain confidential (i.e. salary costs), staff engagement and ownership of other elements of the organisations budget can help drive improvement in financial performance.

Once a budget has been created, it can be phased monthly so that at any stage during the year, your actual financial performance can be compared to where you budgeted to be.

HOW DO YOU DO IT?

You will need certain ingredients to help you create your budgets, namely:

- An Excel template, which details the key INCOME & EXPENDITURE headings for your business (see the recommended headings used in Section 02, Area 2). **Click here** for an example. Alternatively, if you are using XERO software, your budgets can be inputted directly onto the XERO system.
- By phasing your budget on a month-by-month basis, you will be able to compare your actual financial performance against your budgeted financial performance throughout the year. This can be hugely beneficial in helping you make informed business decisions during the season.
- Your historical accounts – definitely the most recent set of accounts and ideally the two years of accounts prior to that, so you know what the actual financial performance has been in the past. This helps you identify any trends and can be used to sense-check the predictions you are making for the coming year, against what has actually been reported in previous years.
- Details of any significant plans for the coming year that you think will have an impact on your income in the coming 12 months (i.e. plans for a new commercial venture, planned increases in price for current activities, or maybe an expected fall in income – discipline income perhaps because of the introduction of sin-bins)
- Details of any known, or expected increases in costs compared to the current, or previous years (for example, plans to increase the workforce, or known increases in property rates).

Armed with this information and supported by some commentary, which helps explain in words some of the numbers you are budgeting, you are now in a position to piece together your budgets.

THINGS TO REMEMBER:

- Budgets should be completed and agreed by the board, BEFORE the start of each financial year. (For example, if the financial year runs from July 1 to June 30, the budget should be approved by board no later than June. Budgets should be prepared for a three-year period, so that not only the short-term, but also the medium-term is under review. It is advised that initial budgets be presented to the board in May, to allow sufficient time for any amendments to be made prior to final approval in June).
- Budgets should follow the same format as used for your management accounts (see Section 02, Area 3).
- Budgets should be phased on a month-by-month basis, so actual financial results throughout the year can be compared with the budgeted expectations at that stage of the year, with any significant variances quantified and reported.
- Budgets should include a financial commentary which helps support and explain the numbers. The commentary should clearly highlight the key assumptions used within the budget.
- County FAs are actively encouraged to include their workforce in the budget process. This encourages wider ownership of the budgets together with a better understanding of the organisations current financial performance.
- Ownership of an organisation's financial performance ultimately lies with the board, however elements of budget ownership should be provided to employees of the business, with incentives for exceeding budgetary expectations considered, to help drive performance.
- Remember, budgets are a look into the future and therefore 100% accuracy is near-on impossible. However, be sensible, realistic and methodical in your assumptions.

AREA 2: STANDARD CHART OF ACCOUNTS

One of the historical challenges for The FA, when trying to assist County FAs to improve their financial performance, was that all County FAs reported their finances in slightly different ways. This made accurate comparison work, benchmarking and the sharing of good financial practice almost impossible.

Research of County FA accounting systems had also highlighted that in many cases, the number of nominal ledger codes in use in a high proportion of County FA accounting systems had grown to excessive proportions.

To help address this problem, a Standard Chart of Accounts has been devised for all County FAs to follow when preparing a detailed income and expenditure account at the end of each financial year.

During autumn 2018, County FAs were consulted on how this Standard Chart of Accounts should look. Acknowledging there were significant differences between County FAs meant a Standard Chart of Accounts may not necessarily work 100% effectively for all. What was finally proposed was considered perfectively adequate by the majority of County FAs for the production of their year-end income & expenditure accounts, completed as part of the statutory accounts process. This still allows each County FA to report as they see fit within their own management accounts.

WHAT IS IT?

The Standard Chart of Accounts is a standardised format, for ALL County FAs to use, to report their detailed income & expenditure at the end of each financial year (please note: County FAs if they wish, can use different formats to report their management accounts, prepared for internal purposes).

The Standard Chart of Accounts is initially required for the standardising of annual income & expenditure accounts, prepared as part of the statutory accounts that are submitted after the financial year end.

WHY DO IT?

By all County FAs standardising their detailed income & expenditure, it becomes far easier to begin to identify and more importantly, share, good practice and strong financial performance. This is really beneficial in helping all County FAs improve financial performance across the network so that ultimately, more money can be re-invested by County FAs back into football related-projects.

HOW DO YOU DO IT?

This is simply a case of aligning your nominal ledger codes within your accounting system, to the headings detailed in the example below. Should you have any challenges with this exercise, simply contact your accountants or contact the FA Business Support Manager. The agreed Standard Chart of Accounts is shown on page 12.

THINGS TO REMEMBER:

The Standard Chart of Accounts is primarily for use for your detailed income & expenditure accounts at the end of each accounting Year. Whilst County FAs are encouraged to replicate this format within their nominal ledger coding structure within their accounting systems, it is acknowledged this is not preferable for all County FAs and is therefore not compulsory.

The Standard Chart of Accounts is designed to help ALL County FAs, as it will allow the identifying and sharing of good financial performance (see Section 03, Info 1).

COUNTY FA STANDARD CHART OF ACCOUNTS

This is the agreed County FA Standard Chart of Accounts, with a brief explanation against each heading:

INCOME	
FA Grants	Total grant money provided by The FA
Non-FA Grants	Any other grants received from other sources
Rule 8e	Monies received by The FA as part of the Rule 8e Cup Pool
Club Affiliation	Affiliation fees charged to clubs by the County FA
Cup Competitions	Entry fees for cups, plus gate receipts etc. for finals
Player Registration	Any Player registration fees (if applicable)
Referee Registration & Course Fees	Referee registrations, plus any referee course fees
Discipline	Red/yellow cards, plus appeals, hearings etc.
Football Development	Fees charged to attend Level 1, 2, UEFA B etc. coaching courses
Insurance	Any insurance premiums charged to players/teams etc.
Commercial	Any commercial income, Sponsorship, room hire, pitch hire etc.
Other Income	Income that doesn't fit in any other heading
Bank Interest/Investment Income	Interest from cash reserves
TOTAL INCOME:	£…………………………………………………………….

Note: It is recognised that some County FAs will still wish to analyse in more detail than identified in the headings above. This is still possible through your accounting software nominal ledger coding, but then consolidated accordingly under these key headings in your income & expenditure account.

EXPENDITURE	
Salary Costs	All salary costs, including NI, Pensions, Honorariums
Staff Training Costs	All staff training
Cup Competition Expenses	Costs associated to running your cup competitions and finals
Football Development Expenses	All costs associated to running your Level 1, 2, UEFA B etc. coaching courses
Referee Related Expenses	Costs associated to referee courses, registration etc.
Commercial Expenses	All Commercial expenses/sponsorship costs etc.
Rent & Rates	Self-explanatory
Heat, Light & Water	Self-explanatory
Telephone (inc. Mobiles)	Self-explanatory
Property Repairs & Maintenance	Self-explanatory
Print, Post & Stationery	Self-explanatory
Marketing Costs	Self-explanatory
Travel Expenses	Self-explanatory
Legal & Professional Fees	Self-explanatory
Insurance (non-Football)	i.e. directors'/officers' insurance, buildings insurance
Insurance (Football)	Premiums for clubs, players, referees etc
Accountancy Fees	Self-explanatory
Audit Fees	Self-explanatory
Bank Charges	Self-explanatory
Representative Team Expenses	Self-explanatory
Irrecoverable VAT (if applicable)	Self-explanatory
Sundry Expenses	Any expenditure that cannot be categorised in any other headings

TOTAL EXPENDITURE: (before depreciation)	£..
TRADING PROFIT: (prior to depreciation)	£..
DEPRECIATION:	£..
PROFIT AFTER DEPRECIATION:	£..

Please note: The standard chart of accounts is only for compulsory use in the preparation of year-end accounts. County FAs who wish to use their own format for management accounts purposes are perfectly entitled to do so.

AREA 3: MANAGEMENT ACCOUNTS

The production of regular and timely management accounts is an essential element of good financial management. Unlike statutory accounts, which by law have to be prepared at the end of your financial year and submitted to the relevant authorities, management accounts are not mandatory by law, but are an essential management tool designed to help you continuingly understand the financial health of your business and to help you make better, more informed decisions throughout the year.

WHAT ARE THEY?

Management accounts are a snapshot of the financial health of your business at any given point during your financial year. For businesses the size of most County FAs, quarterly management accounts are the absolute minimum expectation, with monthly management accounts advised for the majority.

Your management accounts should include both a profit & loss account and a balance sheet. The profit & loss account should show ACTUAL figures for the period in question, the BUDGETED figures for that same period and the difference between the two (THE VARIANCE). It is also considered beneficial to report the actual figures for the corresponding period last year as a comparison.

Click here to see an example format.

It is important that management accounts are not just a set of numbers, but they are supported by a written narrative, which provides a brief commentary to help explain the key figures and brings those figures to life (especially for those people that are not as comfortable with just a set of figures). The narrative does not need to be too detailed, but focused on the really important issues.

Management Accounts are also often supported by a cashflow projection (see Section 02, Area 4), which helps project the movement of cash in and out of your business in the coming months (and if required, the coming years).

Your management accounts should be produced as quickly as possible after the end of the period in question, to ensure the information is as relative and timely as possible. It is considered good practice to complete management accounts within a maximum of three weeks following the end of the period (i.e. management accounts for the period to 31 March to be completed no later than April 21).

WHY DO IT?

Management accounts are an essential management tool to allow you to keep on top of your financial performance, rather than waiting until the year end and the completion of your statutory accounts.

A business needs to know how well they are performing financially, so it can react accordingly. Regular and timely management accounts allow the business to do this.

Management accounts should be a standardised agenda item at every board meeting (see Section 03, Info 3).

HOW DO I DO IT?

- Your accounting software is central in making the production of your management accounts as simple and straightforward as possible. For those County FAs using XERO, please refer to their on-line training platforms to assist you in the production of your management accounts.
- Ideally, the management accounts should report ACTUAL figures, BUDGET figures, the VARIANCE between the two and a comparison with the same period last year. This information should all be easily accessible from your accounting software.
- A written commentary, which provides a brief but concise explanation of the figures reported should be produced as part of the management accounts reports. This is particularly beneficial to those members of the management team who have limited experience in financial matters.
- A draft template of how a management accounts pack could look Is available **here**.

THINGS TO REMEMBER:

- Management accounts are an essential tool to help keep the management team up-to- date with financial performance. They should include as a minimum, a profit & loss account, balance sheet and the latest cashflow statement (see Section 02, Area 4 regarding the production of cashflow projections).
- Management accounts should be produced regularly: every quarter as a minimum, ideally, monthly.
- Management accounts should be completed and available to management within three weeks of the relevant period end.
- A written commentary, to help explain the figures reported, should accompany the management accounts. This is beneficial in particular to board members with limited understanding or experience in reading financial documents.

AREA 4: CASHFLOW PROJECTIONS

Cashflow projections are an essential element of an organisation's financial management strategy.

WHAT IS IT?

A cashflow projection provides the management with a projected movement of the organisations cash over a period of time in the future. It helps the business ensure sufficient cash is available to pay suppliers and the workforce on time, whilst also enabling the business to identify what cash, if any, is available for investment, and for how long, to allow the best returns on that cash to be generated.

WHY DO IT?

In a nutshell, the ability to accurately project the movement of cash in and out of the business over a period of time in the future will help ensure:

- There remains sufficient levels of cash available at any given time, to avoid bank overdraft charges and ensure all suppliers can be paid in a timely manner;
- Identify when there may be any excess cash in bank current accounts which can be moved to higher interest bank accounts/investment schemes to increase returns on investments.

HOW DO I DO IT?

While budgeting aims to project how your accounts will look in a given period in the future and management accounts record financial transactions within a given timescale in the past (both of which follow a number of accounting principles which attempt to match sales and expenses within that given timeframe), the cashflow is subtly different. It is only concerned with the movement of cash in and out of your business.

In its simplest form, a cashflow statement starts with an opening balance (i.e. how much money have you got in your various bank accounts right now), adds the cash you expect to receive in given timeframes in the future and takes away the cash you expect to pay out in the same given timeframes. This gives you a closing balance.

Example:

The business has £150,000 in the bank on March 1. During March, it expects to receive the following money coming IN:

FA GRANT	£ 75,000
DISCIPLINE INCOME	£ 1,250
AFFILIATION INCOME	£ 2,000
FOOTBALL DEVELOPMENT INCOME	£ 7,250
SPONSORSHIP INCOME	£ 1,000
	£ 86,500

It is also expecting to pay OUT the following during the month:

WAGES etc	£24,000
PAYE/NI PAYMENT FROM FEB	£ 2,750
ELECTRICITY DIRECT DEBIT	£ 1,000
GAS DIRECT DEBIT	£ 1,000
RENT	£ 2,000
RATES & WATER	£ 1,000
TELEPHONE	£ 1,000
FOOTBALL DEVELOPMENT COSTS	£ 4,000
INSURANCE DIRECT DEBIT	£ 1,000
PURCHASE OF NEW OFFICE FURNITURE	£ 5,000
STAFF EXPENSES	£ 1,500
DEPOSIT FOR NEXT XMAS STAFF PARTY	£ 1,000
	£45,250

Using the simple formula below you can reasonably predict the expected cash position at the end of the period in question:

OPENING BALANCE +
CASH DUE IN - CASH DUE OUT =
CLOSING BALANCE

£150,000 + £86,500 - £45,250 = £191,250

The closing balance at the end of that period is then simply carried forward as the opening balance for the following period. The exercise continues monthly for as long as you wish.

Cashflow statements, just like budgets, are a look into the future, therefore 100% accuracy is highly unlikely, however you can, with experience, reliably begin to predict the movement of cash over a reasonable period of time.

Because a cashflow statement is a projection, it is important to monitor it on a regular basis, adjusting it where necessary in order for it to remain an accurate management tool. The benefits of doing so usually outweigh the efforts required.

Maintaining a cashflow statement will help ensure that your business has:

- Sufficient funds in your current accounts to meet expected payments (and therefore avoiding unnecessary overdraft charges);
- The ability to identify when surplus cash is likely to be sitting in your current accounts, therefore enabling it to be moved effectively into higher interest-bearing accounts or investments to help maximise returns on cash.

A draft cashflow template is available **here** which can easily be populated. Numerous video tutorials are available online to assist finance officers unfamiliar with the cashflow basics.

THINGS TO REMEMBER:

- Cashflow projections estimate the movement of CASH in and out of your business over a given period in the future.
- 100% accuracy is unlikely, but with experience of cashflow behaviours of your business, accuracy should improve over time.
- The formula is simple:
  OPENING BALANCE + CASH DUE IN - CASH DUE OUT = CLOSING BALANCE.
- Use your cashflow projection to help ensure there is sufficient cash in your business to allow you to pay your suppliers on time. Also use it to identify whether you have too much cash in your current accounts, and if you do, transfer some of it over to higher interest bearing accounts to ensure you maximise your returns on your cash.

AREA 5: CASH RESERVES

It is important that cash reserves are effectively managed. While it is prudent for all businesses to maintain sensible levels of reserves, excessive levels of cash are not considered healthy in an industry whereby one of the primary focuses is to continuously re-invest profits back into the game to help grow participation levels. It is therefore important that each County FA follows a cash reserves policy.

WHAT IS IT?

Cash reserves are the cash balances in any County FA bank accounts, excluding any funds that can clearly be identified as such for future capital projects (such as a new facility or the improvements to an existing facility).

The FA's view is that cash reserves should remain at 'sensible levels', but not excessive levels, at all times.

The FA National Game Board (NGB) is currently debating what should be deemed as 'sensible levels' and these will be communicated to County FAs accordingly. Sensible levels of cash reserves are likely to be linked to an agreed number of months of 'normal operating costs (as defined below).

Monies being saved towards a major capital project, as identified in the LFFP and/or as authorised by the Head of Facilities and Head of County FA Operations, sit outside of these cash reserves (it is essential that these are clearly identified as separate funds).

'Normal operating costs' are deemed to be the normal average monthly expenses of a business, excluding depreciation.

Should cash reserves (which excludes funds identified for future capital projects as defined above), exceed those considered as 'sensible levels', The FA's National Game Board may consider reducing future grant payments until such time that cash reserves are back within the recommended levels.

WHY DO IT?

The monitoring of cash reserve levels is in place to prevent unnecessary and excessive cash remaining idle in County FA bank accounts, rather than being re-invested back into the game.

HOW DO I DO IT?

Monitoring levels of cash reserves are best explained with the use of an **example**:

The County FA has £230,000 in its main bank current account, plus a further £100,000 in a reserve current account.

The normal MONTHLY Operating costs of the County FA are as follows:

Salary costs	£ 25,000
Establishment costs	£ 7,500 (includes rent, rates, heat and light)
Football dev costs	£ 5,000
Cup competition costs	£ 4,000
Marketing costs	£ 1,000
Admin costs	£ 3,000 (includes print, stationery, postage, phone, etc.)
Misc costs	£ 3,500
TOTAL MONTHLY OPERATING COSTS	**£ 49,000**

The County FA therefore has 6.7 months of cash reserves (£230,000 + £100,000 = £330,000, divided by £49,000 = 6.7).

Had there been a total of £750,000 in the County FA bank accounts, £200,000 of which could clearly be identified as funds attributable to a future capital project, this would have been the equivalent of 11 months of normal operating costs (£750,000 less £200,000 = £550,000 divided by £49,000 = 11.2 months).

THINGS TO REMEMBER:

- Cash reserves, for the purpose of this particular guidance area, are deemed to be bank balances in any bank current account or deposit account, excluding funds earmarked for major capital projects (see further note below). It also includes money held in other easily liquidated assets, i.e. share investments
- Cash reserves should remain at 'sensible levels' at all times.
- What are considered to be 'sensible levels' of cash reserves are currently being reviewed by the NGB and will be communicated in due course.
- 'Normal operating costs' are deemed to be the normal average monthly expenses of a business, excluding depreciation.
- Should cash reserves exceed what the NGB decides are 'sensible levels' of normal operating costs, The FA's National Game Board may consider reducing future grant payments until which time that cash reserves are back within the recommended levels, unless such reserves are being accumulated to help finance major capital projects.
- Monies being saved towards a major capital project, as identified in the LFFP and/or as authorised by the Head of Facilities and Head of County FA Operations, sit outside of these cash reserves (it is essential that these are clearly identified as separate funds).
- County FAs are reminded that savings of up to £85,000 are protected in UK banks by the Financial Services Compensation Scheme (FSCS), so in the unlikely event a bank goes bust, the first £85,000 in that account is guaranteed by the Government (see Section 02, Area 7 for more details).
- The monitoring of cash reserve levels is in place to prevent unnecessary and excessive cash remaining idle in bank accounts, rather than being re-invested back into the game.

AREA 6: ACCOUNTING RATIOS

Accounting ratios can be used to help you quickly assess the financial performance of your business. They can also help when trying to compare the financial performance of one business, against other businesses.

Ratios may appear daunting at first, but by simply introducing a small number of key ratios into your County FA, you can quickly begin to better understand the financial elements of your business with the minimum of fuss.

WHAT ARE THEY?

Accounting ratios are a simple tool to quickly help assess financial performance of an organisation at any given time, without having to dig too deep into the detail. They can also be used to measure performance of one business, against others.

WHY DO IT?

Ratios are a great tool as part of your benchmarking work, where you can measure financial performance of your business, against the financial performance of a similar business, without going into too much detail.

HOW DO I DO IT?

There are a host of possible ratios that can be used, but for County FAs, the following are considered particularly relevant and helpful:

- **FA GRANTS AS A % OF TOTAL TURNOVER**
  This first ratio helps identify, very quickly, how reliant your business is on the grants from The FA. By simply dividing your FA grant income, by the total income of the organisation, you will arrive at a % figure. The higher the %, the more reliant your County FA is on FA grants, the lower the %, the less reliant your County FA is on FA funding.

  Example:
  You are half way through the financial year. You have received FA grants so far of £262,000 through your monthly distributions. Your total income received for that period (including these FA grants) is £540,000. The FA grants as a % of turnover are as follows

FA grants	£262,000 x 100 = 48.5%
Total income	£540,000

  If, at this time last year, the ratio was 52.5%, you could report that 12 months on, the organisation had become LESS reliant on FA funding.

  Alternatively, if you were benchmarking your County FA against other, similar-sized County FAs, both of who were reporting ratios of 46.0% and 44.5%, you would look to investigate further. This could be through a discussion with those County FAs, establishing why their businesses were less reliant on FA Funding than yours. This may lead you to consider future changes to your business to help improve your County FA's financial performance.

- **DISCIPLINE INCOME PER AFFILIATED TEAM**
  Discipline income is still a significant income stream for all County FAs, however there are some interesting differences across the country on the reported levels of income received from discipline.

  Some of these differences may be down to sin-bin trials, some may be due to social and economic reasons (i.e. player behaviour may be worse in certain areas of the country). But do you, as a business leader, know how different it is in your County FA, compared to another? Do you need to know?

  You should always be curious on financial matters and ratios can help you answer a host of questions, such as:

  – How significant is discipline income to your County FA? How does this compare with other County FAs?
  – What is the trend over a number of years with regards to discipline income?
  – What impact are sin-bins having on your business?
  – Is Respect working in your County FA and if it is creating a better environment for players to play, is this helping increase participation?

  Remember, accounting ratios are INDICATORS of financial performance, not necessarily always exact measures and for this ratio in particular, a number of 'assumptions' are used.

Example: ASSUMPTIONS USED:

1. The vast majority of Discipline issues (i.e. yellow and red cards) come from youth and adult football, therefore for the purpose of this ratio, the number of affiliated teams used as part of the calculation is restricted to youth and adult football only.
2. The vast majority of discipline income is generated via yellow and red cards and whilst accepting there is income from appeals and hearings, for the purpose of this exercise, it is assumed that the bookings and sending-offs account for the vast majority of the money received.

You reach the end of the season. You had 380 affiliated teams in your County at youth or senior level. Your income from discipline matters was £43,000:

Discipline income	£43,000	= £113.16 discipline
Affiliated teams	380	per affiliated team

If this was then compared with results from similar County FAs, you could easily compare and understand if there were any potential issues to think about for future seasons

- **AFFILIATION INCOME PER AFFILIATED TEAM**

Affiliation is another key income stream for any County FA, but do you know how significant it is to your County FA compared with other County FAs ?

The affiliation model differs from County FA to County FA, but by using and comparing this simple ratio across the network, it is easy to identify where the stronger financial performance is.

This is a classic example whereby it is not just the financial aspects that needs to be considered. Some County FAs make a conscious business decision to keep affiliation income down to an absolute minimum, but this ratio does at least give an insight into how this can impact your business compared to others.

Example:

Your affiliation window closes. You had 785 affiliated teams in your County FA and your affiliation income is £23,000:

Affiliation income	£23,000	= £29.30 affiliation
Affiliated teams	785	per affiliated team

If this was then compared with results from similar County FAs, you could easily compare and understand if there were any potential issues to think about for future seasons.

Similar ratios can be developed for other income areas of your County FA.

Example:

COMMERCIAL INCOME AS A % OF TOTAL INCOME

What % of your total income comes from your commercial activities ? How does this compare with previous years? How does this compare with other County FAs?

Commercial income x 100 =	Commercial % of total income
Total income:	£……………………

FOOTBALL DEVELOPMENT INCOME AS A % OF TOTAL TURNOVER

What % of your total income comes from football development activities (e.g. Level 1, Level 2, UEFA B coaching courses) . How does this compare with other years? How does this compare with other County FAs?

Football development income x 100 =	Football dev income % of total income
Total income:	£ ……………..

FOOTBALL DEVELOPMENT PROFITABILITY

What profitability are you generating from the running of your coach education programme?

Football dev income - football dev costs =	Profit on football development
Football dev income:	£ ……………..

From a cost perspective, there is one, very simple, but hugely significant accounting ratio used to quickly help assess financial health – the salary cost to turnover ratio. This ratio quickly allows you to understand how much of your total turnover, is spent on your workforce.

- **SALARY COST TO TURNOVER RATIO**

  This ratio measures how much of a County FA's total turnover is spent on salaries. It not only helps identify, very quickly, whether your most significant cost remains within the boundaries you have set for your business, you can very easily compare your % with the % of other County FAs.

  Example:

  Your County FA total salary costs (which includes employers ni, pension, plus both staff and directors remuneration) for the year is £374,000. Your total income for the same period is £753,000.

Total salary costs:	£374,000	x 100 =	49.6% of total income was spent on salary costs
Total income:	£753,000		

  For Information, the AVERAGE salary cost to turnover ratio across the County FA network is c.50%. There are some County FAs down in the 40%-49% bracket, some in the 50%-59% bracket, with a few over 60%. Again, there can be host of reasons behind the figures, but this is another very quick, easy way to compare the single most significant cost of running a County FA against other County FAs.

- **COUNTY FA FACILITY COSTS/TURNOVER RATIO**

  After the costs associated with your workforce, the next most significant expenses are likely to be those associated with the running of your facilities: your rent, rates, heat, light, water etc. Using ratios, again you can quickly identify the % of your turnover that is spent on running the facilities your County FA runs and comparing these to other County FAs.

  There can be an array of reasons for differences from County FA to County FA – namely of course the type of facilities you run (do you run a 3G footballing facility as well as just offices for example), but comparisons with other similar County FAs to your own, will allow you to identify how your costs compare with others.

  Example:

  Your County FA facility costs (including rent, rates, water, heat, light and telephone) for the year is £37,350. Your total income for the same period is £753,000.

Total facility costs	£57,350	x 100 =	7.6% of total income was spent on facility costs
Total income	£753,000		

THINGS TO REMEMBER:

Ultimately, accounting ratios are meant to help make finances simpler to understand – so keep them simple. Remember, County FAs can be complex businesses, but the finances are relatively straightforward.

Use ratios to help you monitor and measure the financial performance of key areas – your reliance on FA money (or more importantly, the % of your turnover that is not provided by The FA), your discipline income, your affiliation income, your salary costs, pretty much any area of your business, from total profitability to profitability on football development work.

Be open to comparing your ratios to the ratios of other County FAs. There is so much that can be learned by benchmarking and sharing information.

AREA 7: INVESTMENTS AND FINANCIAL PLANNING

One of the key weaknesses identified at the 2017 FA Review of County FA finances was the apparent lack of investments and financial planning in place across the County FA network. While it was acknowledged that interest rates remain low, most experts predict they will continue to rise, all be it slowly, in the future.

According to County FA statutory accounts for 2017, over £23 million was sitting in County FA bank accounts. The reported return on that collective amount, in terms of interest, was disproportionately low. Clearly, cash sitting in bank accounts is having no positive impact on football.

WHAT IS IT?

Quite simply, investment and financial planning is about strategically maximising your returns on the cash (and any other assets) that your organisation holds, while understanding and minimising any associated risks.

It is about identifying how much cash is in your business, which there is no immediate day to day need for, which can therefore be invested, either in higher interest bearing bank accounts, or in other investment areas, such as property, bonds, gilts, or shares, in order to provide the organisation with a suitable return.

Note: The value of your investments can go up as well as down.

WHY DO IT?

Just like any other income stream in your business, if you have surplus cash sitting idle, it should be managed effectively to help maximise the returns on it.

The 2017 FA Review of County FA finances identified that many County FAs had surplus funds in bank current accounts, with no return at all, therefore missing out on potentially £000s of 'free' money each year.

HOW DO I DO IT?

This in another area of financial management that appears daunting, but really, there are initially only four key areas to consider:

- How much cash, if any, does my business have available to invest?
- How long do I have this cash available to invest for?
- What risks, if any, am I prepared to take?
- Where do I go to get professional advice?

The first two of these points above can be managed through the production of your cashflow projections (see Section 02, Area 4). Your cashflow projections should be able to give you a reasonable insight into the expected movement of your cash in the coming weeks, months and years. It is prudent to add a generous contingency into your cashflow statement, just to cover any unexpected issues, but your cashflow should then be able to tell you how much surplus cash you have in your business, and how long you are likely to have it for.

The third point above is critically important – the realisation that investment can carry an element of risk. The normal rule of thumb is that the higher the potential reward, the greater level of associated risk associated.

"...the value of your investments can go up as well as down."

For a much lower, or a risk-free strategy, then stick to investing surplus cash balances with the banks that offer the greatest interest rates. All banks offer different products, but some banks are more adventurous than others when it comes to interest rates.

It's worth shopping around and spreading your money between a number of accounts. Savings of up to £85,000 are protected in UK banks by the Financial Services Compensation Scheme (FSCS), so in the unlikely event a bank goes bust, the first £85,000 in that account is guaranteed by the Government.

Finally, do NOT enter into any investment strategy without having first, consulted with a suitably qualified individual. Only independent advisors, approved and authorised by the Financial Conduct Authority (FCA) should be approached.

For more information on the FCA, visit: **fca.org.uk**.

THINGS TO REMEMBER

- Management of your cash can be as important as any of your other income streams. Don't miss out of potential returns;
- Use your cashflow projections to identify both how much cash you potentially have to invest, and for how long you may be able to invest it.
- Understand and agree at board level, what level of risk, if any, you are prepared to take with your investments.
- Shop around to get the best interest rates from the banks. Remember the FSCS limit of £85,000.
- Seek professional advice from those suitably qualified to provide it. If they are not registered with the FCA, do not listen to their advice.
- Always remember, the value of your investments can go up as well as down.

AREA 8: FIXED ASSET MANAGEMENT

County FAs all have a number of fixed assets, ranging from IT equipment, to office furniture, through to land and buildings. It is important that the business maintains sufficient records to ensure the ongoing management of these key, high-value items.

WHAT IS IT?

Your fixed asset management is simply a record of the key, long-term assets owned by the business. It should help the business understand, at any given point, the latest value, the expected life and therefore any likely replacement dates of such assets. Alongside this, should be your depreciation policy – an understanding of how the value of your assets will be reduced over time.

WHY DO IT?

As by their very nature, fixed assets tend to be significant items owned by the business and as such, warrant due care and attention. All assets will have an 'expected life' i.e. a number of years before which they will need to be replaced or renewed. Fixed asset records should provide suitable information to enable the business to understand when this time may be, so it can plan the impact on cashflow and the procurement process itself.

HOW DO I DO IT?

Your fixed asset records should be recorded within your accounting software. Most County FAs can record their fixed assets under one of these headings:

- Land and buildings;
- Plant and machinery;
- Fixtures and fittings;
- IT equipment;
- Trophies;
- 3G pitch.

For each asset, the key things to be recorded are:

- The original cost price;
- The expected life (in years).

Depreciation can then be reported accordingly and the fixed asset records can also report when each asset is likely to need to be replaced and the likely impact on the business cashflow.

Depreciation policies can vary dependent on the fixed asset category, but should be clearly recorded. What's known as 'straight line depreciation' occurs when the same % of the ***cost*** of the asset is written off in each accounting period. Conversely, what's known as 'reducing balance depreciation' occurs when a % of the latest ***net book value*** is charged each period. 'Net book value' is the original cost of the asset, LESS depreciation charged to date within the accounting records, against that particular asset.

Example:

A County FA purchases a new photocopier in November 2018, which costs £5,250. The business takes the decision that the photocopier is likely to have a useful life of four years before it will need to be replaced. It is anticipated that after four years, the photocopier will have no value.

The fixed assets records should report the following:

Cost price	£5,250
Purchase date:	November 2018
Expected life:	Four years
Residue value:	NIL
Depreciation charge:	£1,312.50 per annum (£5,250 x 25%). £109.38 per month (straight line depreciation method)
Estimated replacement date:	October 2022
Estimated replacement cost:	£5,000–£6,000

The business will therefore be able to set diary notes to begin procurement processes for a replacement for example, six months prior to the replacement date, and amend cashflow records accordingly.

THINGS TO REMEMBER:

- Keep things simple, do not over complicate the work required. For most County FAs, their fixed assets fall into one of these categories:
  - Land and buildings;
  - Plant and machinery;
  - Fixtures and fittings;
  - IT equipment;
  - Trophies;
  - 3G pitch.
- It is important to report the original cost and the expected useful life of each fixed asset. The expected life determines the depreciation charges which will be noted within the accounting policies of the business.
- The depreciation method ('straight line' or 'reducing balance') should be recorded within your accounts.
- Review the fixed asset records regularly (minimum once a quarter) to ensure there is sufficient time provided to allow replacements/additions to be sourced and sufficient cashflow made available.

AREA 9: INTERNAL FINANCIAL CONTROLS

It is good practice for ALL businesses to have a series of internal financial controls in place, which are known, publicised and adhered to across the organisation.

WHAT ARE THEY?

Internal financial controls are a set of policies and procedures put in place to ensure the continued reliability of the accounting records.

WHY HAVE THEM?

Without reliable accounting records, business leaders cannot make informed business decisions to help their business continue grow. Internal controls can also help minimise risks by identify errors and potential fraud issues at an early stage.

HOW DO I DO IT?

Every organisation will have slightly different controls and procedures in place. Internal control measures can, for accounting purposes, be broken into seven key categories, each designed to prevent fraud and identify errors before they become problems. These seven categories are:

1. **SEGREGATION OF DUTIES**
   The aim of segregating certain duties between a number of different officers of an organisation, helps reduce the opportunity for any one person to commit fraudulent action. For example, the officer who approves an invoice for payment, should be different to the person who physically approves the payment itself, who should be different to the person who reviews all payments made at the end of each month.

2. **AUTHORITY LEVELS**
   Different levels of authority should be in place, dependent upon the value of the transaction. For example, the Finance Officer may have the authority to approve invoices up to a value of £250, however any invoices between the value of £250 and £2,500 would need the authority of both the Finance Officer and the CEO, with invoices of a value of over £2,500 may need the authority of the Finance Officer, the CEO AND the Chairman.

3. **SOFTWARE SYSTEMS ACCESS CONTROL**
   Effectively managing access levels to software used by the organisation, to prevent unauthorised processing of financial information, coupled with publicising amongst the staff that access within software systems is monitored to act as a strong deterrent, are key internal controls to have in place.

4. **PERIODIC RECONCILIATIONS**
   It is good practice for a number of accounting reconciliations to be carried out regularly (monthly where possible). These reconciliations consist of a physical check of a sample of the accounting records back to the original source records and should include petty cash reconciliations, bank reconciliations, creditor reconciliation, debtors' reconciliation and PAYE/NI reconciliations.

5. **PHYSICAL AUDITS**
   In addition to periodic reconciliations, it is also good practice to periodically physically check assets such as stock, IT equipment etc., to ensure the physical counts agree with the latest accounting records. The often-dreaded stocktake is a powerful exercise to ensure physical assets and accounting records are aligned.

6. **TRIAL BALANCE REVIEWS**
   Regular reviews (by more than one individual) of the trial balance produced by the accounting software is an excellent way of reviewing the transactions processed through the accounting software and how those transactions have been allocated between different account codes. Reviews of actual income or expenditure against budgets should help identify if there are any major discrepancies worthy of further investigation.

7. **STANDARDISED DOCUMENTATION**
   Using standardised internal documents across the organisation, such as payment approval forms, expenses authorisations or petty cash approvals, will help an organisation maintain consistency with their record-keeping and encourages good practice.

THINGS TO REMEMBER:

- All County FAs are expected to have their internal financial control policies documented and referred to regularly.
- Each County FA's internal financial controls are likely to be slightly different, but should cover the issues raised in the seven key categories above.
- The segregation of duties, the setting of levels of authority and the control of access to software systems are all key internal control issues to help prevent potential fraud.
- Periodic reconciliations and trial balance reviews will also help detect errors in the recording of financial transactions.
- This is NOT a simple tick-box exercise. Your financial records are an essential part of your business and a suitable amount of resource should be allocated to review and record internal procedures regularly.
- This area will be reviewed in more detail at the Regional Finance Officer Meetings in 2019, to help all County FAs prepare their own internal financial controls, however, should your County FA require additional support in this area, please contact The FA Business Support Manager.

AREA 10: COUNTY FA ACCOUNTING YEAR-ENDS

The majority of County FAs now use a 30 June accounting year-end. This helps the County FA report their finances in line with the regular football season. There remains however a minority of County FAs with varying accounting year ends.

As financial benchmarking work increases across the County FA network (which is designed ultimately to help improve financial performance across the network by identifying and sharing good practice), all County FAs are encouraged to use the 30 June accounting year-end in the future.

Any County FA who would like assistance to change their accounting year-end, should, in the first instance, discuss the process with their own accountants.

Alternatively, further details are available through Companies House **gov.uk/file-changes-to-a-company-with-companies-house**

The target date to have all County FAs using a 30 June year-end date is 2020.

AREA 11: STATUTORY ACCOUNTS AND YEAR-END AUDITS/INDEPENDENT REVIEWS

It is requirement of the Companies Act that all UK-based businesses that are registered as limited companies, should complete and file statutory accounts with Companies House, within nine months of the Company's financial year-end. A copy of these statutory accounts, which must include a detailed income and expenditure account, utilising the Standard Chart of Accounts (see Section 02, Area 2), should be forwarded electronically, for the attention of the FA Business Support Manager, at the earliest possible opportunity.

In addition to the requirements of the Companies Act, under the terms of the Funding Agreement with The FA, the conditions below also apply to all County FAs. These are all taken verbatim from the latest FA/County FA Funding Agreement.

7. Financial Audit

- 7.1 The CFA must maintain complete, accurate and up-to-date books of account in accordance with generally accepted UK accounting principles consistently applied in respect of the CFA's use of the grant. The CFA shall retain the same together with all invoices, correspondence, records, accounts and computer data relating to the same for at least three years from the expiry of the term or the prior termination of this agreement.
- 7.2 The CFA must have its accounts independently audited annually. This can be undertaken by a 'reporting accountant', but in any case such accountant must be wholly independent of the CFA.
- 7.3 The independently audited accounts referred to in clause 7.2 above (the 'accounts') must show the actual expenditure made against the grant separately from any other items of expenditure in order that the accounts can demonstrate whether the grant has been spent in accordance with this agreement.
- 7.4 The FA may appoint its own auditor to audit the CFA's accounts on one occasion per contract year and on one occasion within three years of the expiry of the term. To assist with such audit, the CFA shall make the originals of all relevant statements, invoices and other documents and information available for inspection by The FA and/or its auditors during business hours on reasonable advance notice, and shall provide such other assistance as The FA and/or its auditors reasonably require. The costs of any such review shall be paid by The FA unless the review reveals that the CFA has not spent the grant in accordance with this agreement, in which event the CFA shall pay a reasonable proportion of the costs of such audit.

A full statutory audit is not required by The FA unless otherwise required by applicable law.

03

SUPPORTING INFORMATION

INTRODUCTION

This final section is designed to provide further information regarding other finance-related matters that County FAs are likely to experience or should consider. They are not compulsory areas, but are important and relevant.

As with all this guide's content, should further information or clarity be required, please do not hesitate to discuss with your accountants or contact the FA Business Support Manager.

INFO 1: BENCHMARKING AND SHARING GOOD PRACTICE

While all County FAs ultimately have the same goals and objectives, the level of financial benchmarking and the sharing of good financial practice between them has historically been minimal.

It is accepted that each County FA is a separate legal entity and there is no legal requirement for any County FA to share financial information with either The FA or with other County FAs. However, if sharing more financial information can help drive and improve financial performance, which helps more money to be generated and more opportunities for more people to participate in the game, then sharing good practice would seem to make good sense.

The potential benefits of more benchmarking and sharing of good practice are huge. The FA actively encourages all County FAs to engage in these opportunities, within parameters deemed fair by all.

Below are a number of FAQs on the topic:

IS BENCHMARKING AND THE SHARING OF GOOD PRACTICE COMPULSORY?

Absolutely not. Each County FA can choose to Opt IN or OUT of any benchmarking exercise. However only by opting IN can you benefit from the sharing of information i.e. you cannot opt OUT, not submit information from your County FA, and still benefit from receiving results from all other County FAs who opted IN.

WILL BENCHMARKING BE UNFAIR ON THE SMALLER COUNTY FAs WHO DO NOT SHARE THE SAME RESOURCES AS THE LARGER COUNTY FAs?

Benchmarking results will, where appropriate, be categorised into bands, based on the size of County FA (defined by factors such as the number of affiliated teams). The principles behind benchmarking are to help drive and improve financial performance, not to expose under-performance.

"The potential benefits of more benchmarking and sharing of good practice are huge."

WILL THE INFORMATION SHARED BE ANONYMOUS?

In most cases, County FAs will be encouraged to be open and transparent in the information shared for benchmarking purposes. However, in certain circumstances, should County FAs agree they would prefer shared information to be anonymous, it can be.

WHAT AREAS CAN BE COVERED THROUGH THIS WORK?

Ultimately, there is the opportunity to financially benchmark any area of a County FA business, ranging from salary costs and workforce structures, to electricity and gas tariffs, sponsorship arrangements to 3G pitch hire.

HOW CAN I REQUEST FOR SOME BENCHMAKING WORK OR SOME BEST PRACTICE EXAMPLES?

A request for any benchmarking work can be placed by any County FA CEO, simply by contacting the FA Business Support Manager. Once logged, this work will be scheduled appropriately, with a request then circulated to all other County FAs interested in participating. An estimate timescale for the work will be circulated as the earliest possible opportunity.

WHAT ABOUT MORE SENSITIVE INFORMATION SUCH AS SALARIES?

County FAs can dictate exactly what level of detail they wish to benchmark and each County FA has the opportunity to opt IN or OUT. In most cases, benchmarking information will only be circulated to County FA CEOs. Therefore it is under their control how widely this detail is shared.

INFO 2: COMPANY-WIDE FINANCIAL AWARENESS

Taking an interest in the finances of your organisation is not something that needs to be restricted to the Finance Director or the Finance Officer. Company-wide financial awareness can be hugely beneficial to your organisation. All County FAs are actively encouraged to engage their workforce into elements of the Company's finances and seek their suggestions on how they can help grow the business, and equally importantly, save costs.

WHY SHOULD STAFF INPUT INTO THE FINANCES OF THE ORGANISATION?

It is easy to overlook the fact that your team are arguably closer to the day-to-day 'nuts and bolts' of your business than anyone else. They will arguably be closer to most of your customers and more familiar with the day-to-day processes than anyone else within the organisation. When you have a team that close, with so much knowledge and information, why wouldn't you engage them and encourage them to input into the company finances?

Not every suggestion they make will be beneficial to you or the business, but don't under-estimate the potential.

THE FINANCES ARE CONFIDENTIAL – THEY HAVE NOTHING TO DO WITH THE STAFF!

Arguably, this is a myth. Whilst it is accepted that some financial information will always be sensitive (i.e. the payroll), the vast majority of financial information isn't really a secret. County FAs are relatively simple financial models, but as with all businesses, sales have the potential to grow and wastage can always be reduced. Your staff are well placed to help identify any such opportunities. Actively encourage them to offer suggestions in team meetings.

WHAT KIND OF FINANCIAL INFORMATION SHOULD BE SHARED AND WHAT INFORMATION SHOULD NOT?

The most sensitive financial information for any County FA is likely to be payroll-related. This should always be kept private. This should not only include details of individuals' pay, but also related items such as pension contribution and healthcare.

Areas such as profitability on football development, commercial areas or costs associated to day-today running of the business are less sensitive and areas to which your team will be able to contribute.

"Company-wide financial awareness can be hugely beneficial to your organisation."

INFO 3: SUGGESTED BOARD REPORTS

What financial information should be prepared for County FA board meetings? The answer is likely to differ from one County FA to another, but below are some suggestions:

FIRSTLY, MAKE SURE FINANCE IS ALWAYS ON THE AGENDA

This may seem like an obvious statement to make, but a finance update should always be a standard agenda item for all board meetings. It doesn't necessarily have to be detailed financial information that is presented, but an update of some description on financial matters is essential, to ensure the board have sufficient information on the latest financial position of the business.

FOCUS ON THE KEY FINANCIAL DETAILS

Too much financial information can be daunting to absorb, especially for those members of the board who are not as strong on financial matters.

The balanced scorecard is always a great place to start, which in the financial quadrant, may just highlight three or four key areas such as:

- Profit or loss;
- Cash reserves;
- Key income streams (for example football development and discipline);
- Key expenditure (for example salary costs as a % of turnover).

Where possible, always try to show actual figures v. budgeted figures and explain the reasons for any key variances. It can also be helpful to show actual figures vs the corresponding details for the same period last year and again, explain key differences. This will help the board understand performance and trends with the minimum of fuss.

The latest management accounts can be presented at board meetings, but again, make sure the information provided is void of too much detail. The Standard Chart of Accounts format (see Section 02, Area 3) should be more than adequate to provide the level of detail needed at board level. More detailed information can be prepared ready, if needed, but you don't have to present everything in the first instance.

Remember, County FAs may be complex businesses, but from a financial perspective, they are not complicated. Keep things simple.

USE A COMBINATION OF NUMBERS, WORDS AND VISUALS TO PRESENT FINANCIAL INFORMATION AT BOARD MEETINGS

There is normally more interesting information to discuss than finance and not everyone is comfortable with numbers. So when presenting financial information, a mixture of numbers, words and some visual aids, will help ensure the level of understanding and engagement improves across the boardroom.

Of course, the numbers are critical, but don't be afraid to include supporting commentary to help explain what the numbers are saying. Be wary of using financial jargon – simple English wins every time!

The use of supporting visuals is also incredibly useful – bar charts, pie charts, infographics etc. are all really valuable tools to help bring the numbers to life.

Always question the large variances and understand the reasons behind them. These are likely to be the areas challenged by your Board so it is important to be prepared in readiness of their questions.

"Remember, County FAs may be complex businesses, but from a financial perspective, they are not complicated. Keep things simple."

PRESENT BUDGETS FOR REVIEW AND APPROVAL PRIOR TO THE START OF THE NEW FINANCIAL YEAR

The importance of effective budgeting is explained in more detail in Section 02, Area 1 of this manual.

Budgets should ALWAYS be formally approved by the board in advance of the start of the financial year. The desired process of presenting and approving budgets at board level is best explained by:

Example:

A County FA has a financial year-end of 30 June. They always ensure the budgets for the coming year are formally approved by the board in advance of the start of the financial year.

The budget process begins in April, with the CEO, Chairman and Finance Director outlining the very first stages of the budget, with a view that the DRAFT version of the budget will be presented at the MAY board meeting.

The board will have the opportunity to review and challenge the DRAFT budget at the May board meeting. Any agreed changes are then made to allow the FINAL budget to be formally approved at the June board meeting, in advance of the start of the new financial year.

PRESENTING STATUTORY ACCOUNTS FOR BOARD APPROVAL

Within nine months of the financial year end, Statutory Accounts have to be submitted to Companies House. These Accounts have to be approved by the Board of Directors and signed as approved by a representative of that Board. To avoid any last minute panics, it is good practice to have these Accounts completed and approved by Board well in advance of this nine month deadline.

Ideally, a representative from your Accountants/Auditors should be invited to attend a Board Meeting to explain formally, their findings and recommendations following their completion of the Statutory Accounts.

INFO 4: TAXATION MATTERS

Taxation is a specialised area and can be a complex topic, so County FAs are advised to utilise the skills and experience of suitably qualified accountants to support them in this area.

All County FAs are strongly encouraged to ensure they address ALL issues relating to taxation that may arise and if ever in any doubt, seek support and guidance with immediate effect.

As well as the advice from your own accountants, additional advice is also available from the FA's independent advisors Saffery Champness (see Section 03, Info 5).

When taxation issues arise, it's likely they will relate to one of three areas:

1. VALUE ADDED TAX (VAT)

Value Added Tax (VAT) is probably the most complicated tax issue that your County FA will have to consider and therefore specialist advice is strongly recommended.

Whether or not your County FA is required to register for VAT will be dependent on a number of factors:

a) If your VAT taxable turnover is over £85,000 per annum;

b) If your business is registered as a charity .

If you are VAT-registered, you will need to submit VAT returns quarterly to HM Revenue and Customs and either pay any VAT owing, or apply to reclaim any VAT due back to you.

If you are unsure about any VA- related issues, please contact your accountants or The FA's independent advisors Saffery Champness. For further guidance and advice, visit the HM Revenue & Customs website: **gov.uk/browse/tax/vat**

2. INCOME TAX – PAYE/NI

The PAYE system is a method of collecting and paying over income tax and National Insurance (NI) contributions for all your employees. All income tax and NI contributions must be paid to HM Revenue & Customs monthly (by the 22nd of the month following).

It is acknowledged that some County FAs calculate and process their payroll internally, while others outsource this work to their accountants or other advisors (see Section 03, Info 7).

Either way, it remains the responsibility of the County FA to ensure that the correct level of income tax and NI is deducted and submitted to HM Revenue & Customs within the given time limits. Failure to do so will result in interest and fines being applied.

Further guidance and advice is available from the HM Revenue & Customs website:
gov.uk/browse/employing-people/payroll

3. CORPORATION TAX

Corporation Tax is a business-specific tax, payable on the trading profits of your business. Your accountant will assist you to ensure you file your corporation tax return within the given timescales (normally within 12 months of your accounting year-end) and pay the correct levels of corporation tax (again within the given timescales – normally within nine months of your accounting year-end).

Further guidance and advice is also available from the HM Revenue & Customs website:

gov.uk/government/organisations/hm-revenue-customs/contact/corporation-tax-enquiries

INFO 5: ADDITIONAL ADVICE AND SUPPORT FOR COUNTY FAs

A number of support mechanisms are available to County FAs to assist them with financial matters.

ADDITIONAL SUPPORT FROM THE FA BUSINESS SUPPORT MANAGER

The FA Business Support Manager can provide support in a number of areas.

Direct, bespoke advice and support is available to County FA CEOs to assist them to meet the guidance levels within this document. This can be organised simply by contacting The FA Business Support Manager direct. Then arrangements can be made to plan the correct level of support required.

A 'County FA Finance Officers' Community' was established in autumn 2018, designed to create a network that can be utilised to support Finance Officers on any specific, day -to-day queries that arise. This community is available to any County FA personnel who wish to join it and the database of County FA Finance contacts is shared regularly. Members of this community receive a monthly update from the FA Business Support Manager, plus, bi-annually, regional Finance Officer meetings are held (one in the south west, one usually covering the London /south east/central region and one in the north). County FAs can request for items to be added to the agenda for these regional meetings, simply by contacting the FA Business Support Manager.

SUPPORT FROM XERO

As referred to in Section 01, Topic 3 of this manual, a host of support mechanisms are available with regards to the use of XERO.

Visit **XERO.com** for further details.

SUPPORT ON TAXATION MATTERS

By their very nature, taxation matters can be more complicated and often require specialist support. County FAs are advised to engage their own accountants to assist them with these matters where applicable. The FA also retains the services of Saffery Champness, a 'Top 20' firm of chartered accountants, with offices across the UK, to assist County FAs with more complex taxation issues.

As part of the agreement between The FA and Saffery Champness, a set number of hours are available per year, financed by The FA on behalf of County FA network, to help provide specialist support, where needed.

Should any County FA wish to engage Saffery Champness to utilise their specialist knowledge, please contact the FA Business Support Manager in the first instance. An initial assessment regarding the query will be provided free of charge (subject to the time available within the agreement) and the County FA and Saffery Champness can then agree terms on a project-by-project basis.

SUPPORT FROM YOUR OWN ACCOUNTANTS

Most County FAs employ a firm of local accountants to assist them with the completion of their statutory accounts and where necessary, their year-end audit. County FAs are encouraged to utilise the support of their own independent advisors, where applicable. County FAs are responsible for ensuring they only engage with suitably qualified accountants.

ONLINE ADVICE AND SUPPORT

A huge amount of training, support and information is available online. However County FAs are reminded to only follow advice from trusted sources, for example:

- HM Revenue & Customs: **gov.uk/government/organisations/hm-revenue-customs**
- Institute of Chartered Accountants in England & Wales (ICAEW): **icaew.com**
- XERO: **XERO.com**

INFO 6: CUSTOMER EXCELLENCE

Customer excellence is not always a topic associated with financial management. However all County FAs are encouraged to follow basic customer excellence principles as part of their management of financial issues.

Some of these principles are clearly legal requirements, but a strong customer service approach across all areas of the business will assist the organisation reputationally.

For Finance Officers and Finance Directors at County FAs, these principles include:

- The payment of salaries and staff expenses on the agreed date, each month, without exception;
- The payment of all income tax, employers NI etc. to HMRC by the agreed date, without exception;
- The payment to suppliers within the agreed terms (subject to cash availability). Do not wait for reminders. If cashflow allows, pay on time, every time;
- Be pro-active regarding all finance related queries. Always look to acknowledge queries at the earliest possible opportunity. While you don't necessarily need to resolve them all immediately, regular communication regarding progress (or otherwise) is good practice;
- When it comes to the collection of debts from your customers, the advice is to remain friendly, but firm. The stronger your relationships with your customers, the greater the chance of recovering your debt quicker. Make sure you have a clear debt collection policy that is visible and well communicated.

INFO 7: MANAGING YOUR PAYROLL & PENSIONS

County FAs have the option of managing the payroll process internally, or outsourcing it to a third party (e.g. your accountants). Regardless of who processes your payroll, the overall responsibility to ensure that all employees are correctly paid and the correct deductions are made and subsequently paid to HM Revenue & Customs, always lies with the County FA.

Company pension schemes (now known as workplace pensions) are now compulsory for all businesses that have employees.

PAYROLL AND XERO

For those County FAs who use the XERO accounting software, the payroll module is available for use at a cost of £1 per employee, per month. Therefore, for a County FA with 20 employees, all of whom are paid monthly, the XERO payroll module would cost a total of £240 per annum.

The process with XERO is simple and seamless, automatically updating the accounts and generating the necessary details for HM Revenue & Customs.

The XERO payroll functionality can also manage holiday leave requests, allow employees to view their payslips and submit their timesheets.

For more information regarding XERO payroll, visit the XERO website (link below) or contact The FA's dedicated XERO Account Manager, whose details are in Section 01, Topic 3 of this manual.

XERO.com/uk/features-and-tools/accounting-software/payroll

PENSIONS

It is now compulsory for all businesses that have employees to have a workplace pension scheme. As an employer, it is the responsibility of the County FA to have a workplace pension scheme in place and to ensure all the necessary pension-related responsibilities are adhered to, as defined by the Department for Work & Pensions.

All staff that fit the criteria below should be enrolled on your workplace pension scheme:

- Are aged between 22 and the state pension age;
- Earn more than £10,000 per year;
- Normally work in the UK.

Employees do have right to opt out, however by doing so, will lose out on employer and government contributions.

Minimum contributions to workplace pension schemes increased with effect from 5 April 2019 to:

- Employer minimum contribution – 3% (2% up to 5 April 2019);
- Employee minimum contribution – 5% (3% prior to 5 April 2019).

OPUS GOLD

It is by no means compulsory for County FAs to use their services, but The FA do have a formal relationship with Opus Gold, who administer the County FA workplace pension scheme used by a number of County FAs. Opus Gold are Independent Financial Advisors, regulated by the Financial Conduct Authority.

In return for their administration fees and as part of the services carried out by Opus Gold on behalf of County FAs using the FA workplace pension scheme, they support with administrative requirements associated with running a workplace pension scheme. They automatically monitor the performance and fees of their schemes to help their clients attract the best-possible returns from their contributions.

Opus Gold are happy to assist any County FA with their pension-related enquiries. For further information, please contact Simon Hasler, Managing Director at **Simon@OpusGold.com**

"...it is the responsibility of the County FA to have a workplace pension scheme in place and to ensure all the necessary pension- related responsibilities are adhered to, as defined by the Department for Work & Pensions."

Further general information and advice regarding workplace pensions is available at:

workplacepensions.gov.uk

INFO 8: PCI-DSS COMPLIANCE

PCI-DSS compliance is the worldwide payment card industry data security standard, set up to help businesses process card payments securely and reduce fraud. This is achieved by enforcing tight controls surrounding the storage, transmission and processing of cardholder data that businesses handle.

By being compliant, you are doing your very best to keep your customers information safe and out of the hands of someone who could use that information to carry out fraudulent activity. PCI-DSS compliance is something you MUST do.

"The simple rule is not to hold on to any data you don't need to. If you don't need it, don't store it."

Data breaches are on the rise. If your business suffers a data breach and you are NOT PCI-DSS compliant, you could incur card scheme fines and be liable for any fraud losses resulting from the breach.

"PCI-DSS compliance is something you MUST do."

It is the responsibility of each County FA to ensure they remain PCI-DSS compliant. It is a topic that simply cannot be ignored. In the event of a data breach, businesses can be liable to huge fines if they are NOT PCI-DSS compliant.

The work required to ensure your County FA is PCI-DSS compliant is partly dependent on the volume of card transactions you process each year. It is anticipated that most County FAs are distinguished as either Level 3 or Level 4 merchants. Level 3 merchants process between 20,000 and 1,000,000 card payments a year. Level 4 Merchants process fewer than 20,000 card transactions a year.

Specific guidance is available to County FAs via Barclaycard themselves. If in ANY doubt whether or not your County FA is fully PCI-DSS compliant, you are advising to contact Barclaycard direct on 0844 811 0089, quoting your Merchant ID number, or follow the link below:

barclaycard.co.uk/business/help-and-support/accepting-payments/fraud-and-security-help/pci-dss

Further advice is also available from The UK Cards Association:

theukcardsassociation.org.uk/security/What_is_PCI%20DSS.asp

INFO 9: IT EQUIPMENT GRANTS

County FAs can apply for discretionary funding towards the cost of selected IT equipment, as defined within The FA/ County FA Technology Service Level Agreement (SLA).

The Technology SLA is updated annually. The 2018/19 season SLA states:

IT EQUIPMENT GRANTS

County FAs may apply to the Business Support Manager for discretionary 50% funding for selected IT equipment procured through IT support procurement portal, for which the link is shown below:

ecat.softcat.com/account

User credentials for logging into the Softcat Ecat portal can be requested from IT support. Within the portal, there is a list of things that attract the 50% discretionary funding.

If you have a query regarding the decision made to provide funding, please contact your respective Regional Manager for further information.

PHOTOCOPIERS/SCANNERS/PRINTERS

Xeretec have been chosen as The FA's supplier of printers. Please click below to see more details on pricing for the County FAs. Printers are now part of the discretionary 50% funding.

teamtalk/projectgroups/county_fa/operations/b/weblog/archive/2018/04/03/photocopiers-added-to-it-equipment-funding-list

If a 50% funding request has been successful, The County FA will engage directly with Softcat/Xeretec and pay their invoice in full. The FA will subsequently reimburse the 50% funding through the Distribution Payment made to the County FA in the following month.

Note: There is a limited budget available to support the 50% funding. If this budget is used up, no additional funding will be available until the next financial year.

Should you have any questions in relation to the IT equipment grant, please contact the Business Support Manager.

INFO 10: COUNTY FA EXPENSES POLICY

A new expenses policy for County FA staff is currently awaiting formal approval. Full details will be published in due course, with all County FAs notified.

For any questions regarding Country FA Expenses, please contact The FA Business Support Manager in the first instance.

INFO 11: COUNTY FA FINANCE OFFICER CONTACT DETAILS

There is a network of County FA Finance Officers across the country, many of who are doing a similar role and using similar systems to record similar transactions. The likelihood is they also face similar challenges, have similar frustrations and seek similar solutions.

The benefits therefore of continued communication across the network, to assist with day-to-day finance-related challenges are substantial. All County FA finance personnel are encouraged to maintain regular communication with colleagues at other County FAs.

Twice a year, County FA Finance Officers have the opportunity to meet at regional meetings. In between these face-to-face opportunities provided by The FA, there is always the option for County FA Finance Officers to communicate direct with colleagues at other County FAs.

The County FA Finance Officers database is circulated as part of the monthly update sent to all County FA Finance Officers by The FA Business Support Manager.

INFO 12: GLOSSARY OF TERMS

A number of glossaries are available online to help de-mystify finance-related language.

XERO have an excellent resource which provides simple to follow questions and answers – **XERO.com/uk/resources/accounting-glossary**

Should further clarity on any terminology included within this document be required, please do not hesitate to contact the FA Business Support Manager.

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