

FINANCE HANDBOOK

Guidance for branch and branch club treasurers



Patron: Her Majesty The Queen
Registered Charity 226686 (England & Wales). SC037673 (Scotland).



Contents

2	Foreword	3
3	Framework	4
3.1	Charity legislation	4
3.2	Preparing charity accounts	4
3.3	Definitions and terminology	4
3.3.1	Accruals	4
3.3.2	Prepayments	4
3.3.3	Provisions and contingencies	4
3.3.4	Sources of income	5
3.3.5	Audit	5
3.3.6	Independent examination	5
3.3.7	Depreciation/amortisation	5
3.3.8	Cashflow	6
3.3.9	Working capital	6
3.3.10	Return on investment (ROI)	6
3.3.11	Expenditure – revenue and capital	6
4	Branches and branch clubs – the treasurer’s area of responsibility	7
4.1	Document retention	7
4.2	Bank accounts	7
4.3	Bank reconciliations	7
4.4	Maintaining a cash book	8
4.4.1	Using an analytical cash book for receipts	8
4.4.2	Using an analytical cash book for payments	9
4.4.3	Balancing the cash book	9
4.4.4	Payment of expenses to branch members	9
4.4.5	Area office remittance form (form 5)	10
4.5	Annual accounts	10
4.5.1	The balance sheet	10
4.5.2	Income and expenditure account	10
4.6	Examination of annual accounts	11
4.6.1	End of year adjustments	11

4.6.2	Welfare account	12
4.6.3	Notes to annual accounts	12
4.6.4	Forwarding of branch annual accounts	12
4.7	Insurance	12
4.7.1	Insurance cover taken out on behalf of branches	12
4.7.2	Insurance of property	13
4.8	Other points	13
4.8.1	Reserves policy	13
4.8.2	Branch liability for trade and other debts	13
4.8.3	Grants or loans to branches	14
4.8.4	Registered charity status	14
4.8.5	HMRC – Gift Aid	14
4.8.6	Branch functions and donations	14
5	Required practice	16
6	Appendices	17
	Appendix 1 – Example balance sheet	17
	Appendix 2 – Example income and expenditure account	18
	Appendix 3 – Example welfare account	19
	Appendix 4	20
	Membership nominal roll (form 4)	20
	Area remittances (form 5)	21
	Appendix 5 – Analysed cash book	22
	Appendix 6 – Branch deposit form	23
	Appendix 7 – Extracts from the governance handbook	24

2 Foreword

This guide for branch and branch club treasurers brings together relevant sections of the governance handbook with guidance on the practical application of the rules, byelaws, regulations and recommended good practice. This is to provide a single reference point for those officers who are involved in the day-to-day financial management of branches and branch clubs.

This guide further seeks to provide practical examples and tools for use by treasurers, in a format that is compliant and consistent across the Association. Appendices 1 to 3 are examples of the key documents found in 'annual accounts' and can be obtained in electronic format from the finance team at headquarters. Examples of other key documents that a treasurer will need from time-to-time are at appendices 4, 5 and 6.

Sections of the governance handbook that have direct financial implications for treasurers have been extracted for use within this document and, in doing so, this document does not purport to replace the governance handbook. However, it does supersede the financial sections of the administrative handbook.

For a broader understanding of the way branches and branch clubs should be managed, this document should be read alongside the governance handbook, the relevant sections of which can be found in appendix 7.

Specific and detailed training at annual and area conference and seminars designed to support branch treasurers is to be provided. Further support can be provided by headquarters, treasurers can email branchfinance@rafa.org.uk for assistance.



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3 Framework

Accounting sits within a framework governed by legislation, accounting convention, recommended and best practice, and years of tradition. The Association and its branches are registered charities, bound by a defined set of rules and regulations. The following sets out the key points that treasurers need to be aware of and outlines the context they need to work within.

3.1 Charity legislation

Charity legislation is subject to continuous and ongoing review. Previous charity legislation has been consolidated and, together with new legislation, has come into force within the Charities Act 2011 and 2016. While the legislation may not apply to the locations of overseas branches, the terms of the royal charter, rules and byelaws are applicable to all branches and, where they refer to the Charities Act, overseas branches should act in accordance with their provisions unless such action puts them in breach of local law.

3.2 Preparing charity accounts

Charity accounts should now be prepared under FRS102, or the Charities Statement of Recommended Practice (SORP). FRS102 is a single reporting standard that replaces all extant financial reporting standards (FRSs), statements of standard accounting practice (SSAPs) and urgent issue task force notifications (UITFs). It seeks to bring together all of the existing standards, guidance, practices and legislative requirements into one all-encompassing document. The Association adopted FRS102 in 2016. FRS102 governs the way financial transactions are recorded, measured and reported. Advice on how to interpret and implement the Charities SORP can be obtained from the finance department at headquarters.

3.3 Definitions and terminology

In preparing accounts for a branch or a branch club, it is helpful to understand the 'jargon' that is often used. The following are some definitions and terminology, or jargon, that you will have heard used by finance people from time-to-time and are widely recognised and used by the accounting community. These are mostly generic but may be tailored to a specific organisation's needs.

3.3.1 Accruals

Many organisations, large and small, prepare their accounts using the 'matching' concept. An accrual is an accounting method, which seeks to record a financial cost at the point at which it happens, regardless of when the cash is exchanged. An example of an accrual would be an order placed for goods received in December 2017 but the invoice is not received until January 2018. The accounts for the year to December 2017 would include an accrual for the total value of the goods received in December 2017.

3.3.2 Prepayments

A prepayment is an accounting method, which seeks to move a cost that has already been incurred into a future period based on when the activity actually takes place. An example of a prepayment would be a rental invoice received in December 2017 for the quarter to 31 March 2018. The accounts to December 2017 would have this cost removed from the accounts, allowing recognition to be made in the following period.

3.3.3 Provisions and contingencies

These are amounts set aside to cover the probable, but uncertain, economic obligation of an event or transaction. Sometimes this can only be a best guess but the logic behind the guess is subject to external scrutiny.

3.3.4 Sources of income

Branches and branch clubs may have a variety of sources of income, such as:

- Fundraising – challenge events, air show events, Wings Appeal collections and donations etc.
- Legacies
- Bar sales
- Membership fees
- Commercial rents
- Gift Aid

3.3.5 Audit

An audit is a systematic and independent examination of the books, accounts, statutory records, documents and vouchers of an organisation to ascertain how far the financial statements, as well as non-financial disclosures, present a true and fair view of the concern.

An audit also attempts to ensure that the books of accounts are properly maintained as required by law. An audit does not seek to identify fraud or impropriety, only to identify weaknesses in the underlying systems and to recommend remedial action. Guidance on the criteria for an audit can be obtained from the finance team at headquarters.

3.3.6 Independent examination

An independent examination is a legally required external review of a charity's accounts and is carried out by an independent person with the requisite ability and practical experience to carry out a competent examination. An independent examination allows the trustees of smaller charities to opt for a simpler form of external scrutiny in place of an audit.

An examination is a less onerous form of scrutiny than an audit and provides less assurance in terms of the depth of work which is to be carried out. More information regarding what an independent examiner must do can be found on the Charity Commission website.

An important point to remember is that the examination must be independent and, whereas this can be a member, it must be someone who is not involved in decision making or with committee responsibilities. Further guidance on the criteria for an independent examination can be obtained from the finance team at headquarters.

3.3.7 Depreciation/amortisation

Depreciation is an accounting method of allocating the cost of a tangible asset over its useful life. An example of a tangible asset would be a vehicle acquired at a cost of, say, £30,000. In the accounts, for example, the vehicle would be recorded at a cost of £30,000. If we assume that the vehicle has an estimated useful life of five years with an estimated value at the end of the fifth year of £5,000, then we would need to apply a £5,000 annual depreciation charge in the accounts.

Depreciation can either be charged on a straight line basis, that is the original cost split evenly over its estimated useful life, as in the example above, or on a reducing balance, that is a percentage of the remaining net book value (the original cost less the amount depreciated over time). The straight line basis is the easiest method to follow and apply.

It is good practice to define an appropriate depreciation policy and for the committee to formally agree and adopt it. Once adopted, this policy should be reviewed annually to ensure that it is still appropriate.



3.3.8 Cashflow

This is the inflow and outflow of money that results from all activities. Whether it be payroll, a purchase invoice for stationery supplies, welfare grants and payments, or rent payments and income, every transaction results in the movement of money both in and out of the organisation. This is cashflow, the ebb and flow of money resulting from all of these transactions. The management of cashflow is extremely important and if not managed properly can result in serious operational difficulties.

3.3.9 Working capital

Working capital is the term given to the liquid assets of an organisation, the cash and cash equivalents such as stock, debts and fixed assets that can be quickly turned into cash, less any immediate liabilities such as suppliers, employees and HMRC.

It is important, through the management of cashflow, that there is sufficient working capital available at all times in order for the organisation to operate uninterrupted.

3.3.10 Return on investment (ROI)

The Association seeks to use its working capital wisely and use as much of its income as it can on charitable activities. Sometimes, however, it is necessary to invest in either assets or operational activities in order to generate future economic returns. These returns can be measured as returns on investments.

Different organisations have different ways of measuring returns and what is a good return for one organisation may not be so good for another. It is important therefore to establish an appropriate benchmark to measure against. In ensuring that money is put to good use, different projects will have different return requirements. Guidance around these expected returns can be obtained from the finance team.

3.3.11 Expenditure – revenue and capital

Revenue expenditure is a cost that is charged to the income and expenditure accounts as soon as the cost is incurred. By doing so, the Association is using the matching principle to link the expense incurred to income (revenues) generated in the same accounting period.

Capital expenditure, or CAPEX, is the term used for money spent to acquire physical assets, such as equipment and property, where the benefits derived from those assets are expected to span a number of accounting years. Capital expenditure features in the balance sheet and is then subject to an annual depreciation adjustment, which is reflected in the income and expenditure account.



4 Branches and branch clubs – the treasurer’s area of responsibility

The governance handbook sets out what the role of the treasurer is and their areas of responsibility, BR10(10) refers. The following is a guide to fulfilling that role and ensuring that good financial control and management is achieved.

4.1 Document retention

All accounting records, including bank statements, cheque book stubs, paying in slips, invoices, cash vouchers, books of prime entry etc. must be retained for a period of seven years. Records can be retained in an electronic format rather than hard copy if preferred. New treasurers must ensure that upon taking office, these records are made available by the exiting treasurer.

4.2 Bank accounts

It is mandatory for branches to maintain separate bank accounts for day-to-day activities (a general account) and for welfare activity (a welfare account). Both branches and branch clubs may also have a deposit account, which may be used to deposit surplus funds not required for immediate use. Monies may be transferred from the general account to the welfare account but may not be transferred from the welfare account to the general account. Branch committees should ensure that these monies are accounted for separately. For guidance around electronic banking please contact branchfinance@rafa.org.uk where help can be provided.

All bank accounts should have at least two signatories, preferably three, one of which must be the treasurer.

Rebates from Wings Appeal collections will only be paid into the branch welfare account.

Cheques must be signed by two signatories, under no circumstances must cheques be released with only one signature. Cheques must not be signed and left blank. When not in use, cheque books must be locked away in a drawer or cabinet and the key secured with restricted access, treat cheques as cash.

Ensure that the bank signatories and the bank mandate are up to date at all times. A good practice would be to agree signatories at every committee meeting. If existing signatories resign then the bank must be notified immediately and a replacement signatory must be found. If in doubt contact your area office. The same number of signatories should be obtained where banking is done online. Where electronic payments (BACS transfers) are favoured over cheques, there must be two people involved in the payment process, one to raise the payment and another to release the payment.

4.3 Bank reconciliations

All bank accounts must be reconciled on a regular basis. Bank reconciliations explain any difference between the bank balance shown in the cash book and that shown in the bank statement. A reconciliation should be prepared following the end of each month and on any other occasion when the cash book is balanced off. The reconciliation should be recorded in the cash book.

The entries in the bank statement should be compared with the entries in the cash book. Each entry should be marked when they correspond in the cash book and the bank statement. Any unmarked receipts or payments in the cash book will then be the items needed for inclusion in the bank reconciliation. Any unmarked items on the bank statement, such as charges or direct debits and credits, should then be entered in the cash book before balancing.

Any delayed entries that are not readily explainable should be questioned. Note also that cheques not presented within six months of issue are out of date and will not be paid by the bank. In such cases, check with the payee what has happened and write back the cheque in the cash book with an entry on the receipts side in the bank column. This way, when a replacement cheque is issued, there will be no double-counting.

An example of a bank reconciliation is shown below:

	£	£
Balance as per bank statement		564.80
Add: payments in, not yet credited		<u>70.00</u>
		634.80
Less: unrepresented cheques		
226 Refuge insurance	27.50	
227 Area office	52.50	
228 RAFATRAD	<u>35.20</u>	<u>115.20</u>
Balance as per cash book		519.60

4.4 Maintaining a cash book

The cash book is the prime book of entry and should record all receipts and payments. By convention, cash and bank receipts are shown on the left hand side and payments on the right hand side. The layout of a simple cash book is shown below.

LEFT HAND SIDE (RECEIPTS)

DATE	ITEM	FOLIO	CASH	BANK

RIGHT HAND SIDE (PAYMENTS)


DATE	ITEM	FOLIO	CASH	BANK

It is, however, helpful to have additional columns so that individual receipts and payments can be analysed out under various headings. Ideally, these headings should match those routinely used in the annual income and expenditure account. Example pages of an analysed cash book are shown at appendix 5.

4.4.1 Using an analytical cash book for receipts

The opening balances (cash and bank) are entered on the receipts side of the cash book. An opening entry on the payments side would indicate a deficit of cash or an overdraft. In the example in appendix 5, the opening balances are cash £2.60 and bank £580.50.

All monies received are entered in the cash column, whether by cheque or by cash. All cheques are treated as cash until paid into the bank account. In the example at appendix 5, the £9.00 received on the 8 January could have been a cheque and have formed part of the £150.00 paid into the bank on 15 January.



Monies can be received directly into the branch bank account by means of a standing order. These receipts will be shown in bank statements. On receipt of the bank statement the receipts should be entered directly into the bank column.

Each cash receipt should be analysed under its particular heading as shown in the example at appendix 5. Each entry should be supported by a voucher of some kind and the folio column should record where this documentary evidence can be found. In the example, RB indicates 'receipt book' and SR 'subscriptions register'. The symbol 'c' indicates a contra entry which appears under both receipts and payments, such as a payment of cash into the bank.

Any receipts, which do not fall under a specific heading can be entered in the miscellaneous column with a brief description. This column can then be analysed at the end of the year. It can also include the opening and closing balances and contra entries which will then enable the totals of the analysed columns to be agreed with the totals of the cash and bank columns. This is a useful check of the arithmetical accuracy of the cash book.

4.4.2 Using an analytical cash book for payments

There should be no opening balances.

All payments made by cheque should be entered in the bank column and the last three digits of the cheque number shown.

There may be direct debits in place and these can be picked up from the bank statements. Normally these will be as per the authorised instructions given to the bank by way of direct debit mandate but they can include bank charges. These should be entered directly into the bank column and indicated by D/D (direct debit).

Each payment should be analysed under its particular heading as shown in the example at appendix 5. Each entry should be supported by vouchers of some kind and these should be filed in a similar fashion to receipt vouchers.

The last entries in a particular month should be the closing balances for both the cash and the bank and these should be the amounts of money that are in cash and for the bank, from the bank reconciliation.

4.4.3 Balancing the cash book

The cash book should be balanced at the end of each month. This will entail reconciling the bank balance shown in the cash book with the balance shown on the bank statement. The amount shown as cash will also have to be agreed with the cash in hand. A good idea is to balance in pencil until the amounts are agreed and then ink the figures in. If the sums are correct the totals of the cash and bank columns will be the same on the debit and credit side.

4.4.4 Payment of expenses to branch members

BR12(7) provides an authority for the reasonable expenses of a branch committee to be met from branch funds. Expenses incurred by branch members attending meetings or training courses at headquarters or area level will normally be met by the sponsor of the meeting. Branch committees should ensure that the question of expenses has been examined before authorising attendance at such meetings or courses.

The payment of expenses should be supported by a claim form, accompanied with receipts and be signed and dated by the claimant.

Branches and branch clubs are NOT permitted to pay any form of honorarium.



4.4.5 Area office remittance form (form 5)

Form 5 is a summary form of remittances to area offices and should accompany all and any monies forwarded to the area office from the branch. Where those monies relate to membership renewals, form 5 should be accompanied by a membership nominal roll form (form 4). An example of both of these forms can be found at appendix 4.

4.5 Annual accounts

Branches and branch clubs are required to produce annually a balance sheet, an income and expenditure account and (for branches only) a statement of account for the branch welfare account. Details of the accountancy procedures in relation to these accounts are set out below. An example balance sheet and an income and expenditure account are included at appendices 1 and 2, respectively.

4.5.1 The balance sheet

The balance sheet starts with a statement of the assets of the branch or branch club shown in descending order of liquidity. Thus, the fixed assets would be listed first and cash last. Points to note are:

- The value of any other fixed asset such as office or computer equipment should be shown at cost price less depreciation
- The value of stock is the closing stock at cost price. Unsalable or old stock should be written off (with the authority of the committee)
- Sundry debtors is the total of monies owed to the branch, less any allowance necessary for debts unlikely to be recovered. Bad debts may be written off (with the authority of the committee)
- Cash at bank and in hand are taken from the cash book. A bank deposit account balance should also be included at this point if there is one. Where the branch has a deposit with headquarters, this should also be included here

It is worth noting that in relation to fixed assets, the 'book' value of an asset is not intended to represent its market or resale value. It serves only to show how much of the cost of the asset is yet to be written-off.

The balance sheet then continues with a statement of current liabilities. It should be noted that creditors are persons or organisations to whom the branch or branch club owes money. For example, any monies due to the area office would be shown under creditors.


The balance sheet concludes with a statement of source of finance, which should include details of any long term loan arrangements. A bank overdraft or short term loan from a branch club is more appropriately included only under liabilities.

Branches are unincorporated associations, with no legal personality and as such are prevented from owning land or premises in their name. Consequently, branches, and especially branch clubs, should not record the value of any property they are using as an asset within their accounts.

4.5.2 Income and expenditure account

The income and expenditure account is an account of the income received by the branch and the branch club during the financial year and the expenditure incurred during that year. The example statement at appendix 2 includes the items most likely to occur in the account.

To establish the figures to be used in the account the cash book should be balanced off for the financial year-end. The totals of the analysed payments should then be added and cross-checked to prove their accuracy. It may also be necessary to analyse out the miscellaneous column, if there is one, into categories of income and expenditure.



The SORP issued by the Charity Commission in relation to charity accounts states that all income should, as far as possible, be reported gross. This means, in particular, that the practice of “netting-off” expenditure and showing only the net income/expenditure must be avoided. For example, the gross income related to social activities must be reported in the accounts with gross expenditure also shown. The example accounts at appendix 2 show how this might be incorporated in the branch income and expenditure account.

The method of accounting for Wings Appeal income is covered in guidance issued by the fundraising department and should be dealt with by the Wings Appeal organiser. However, the treasurer will be involved because monies will pass through the accounts and it will be appropriate to show the outcome in the annual Income and expenditure account. The example income and expenditure account at appendix 2 shows how the entries could be made.

4.6 Examination of annual accounts

Byelaw 20 and 25 sets out the requirement for examination of branch accounts. In brief, branches with a gross annual income or expenditure in excess of £25,000 are required to appoint a qualified auditor or independent examiner. There is, however, an important proviso at byelaw 25(3) that a qualified auditor shall be appointed “... in any case where a branch has a branch club and the gross annual turnover of the branch club exceeds £25,000 or such other amount as the Council may direct. The qualified auditor shall, in these circumstances, audit the accounts of both the branch and the branch club”. Since 1997 the amount as directed by Council is £50,000.


There is a second proviso as regards the audit of branches with branch clubs which may relax the requirement for a qualified auditor where the branch meets “such conditions as are laid down by the Council” and applies to Council for the relaxation. The conditions currently required by Council are:

- a. The branch shall provide with its application sets of audited accounts for both the branch and the branch club for the two years previous to the application
- b. The accounts shall demonstrate that the accounts for the branch and the branch club are completely separated and in accord with the guidance in the administrative handbook
- c. The matter of indebtedness of the branch and the branch club shall be clearly set out in the accounts and any indebtedness shall be in accord with the general principle that the charitable funds of the branch shall not be subsidising the non-charitable activities of the branch club
- d. An approved fair rent lease shall be in existence between the branch and the branch club where the branch premises are being used by the branch club
- e. The application shall be sent through the area office, which shall provide comment for consideration by Council

Branch committees are encouraged to come to a decision early in any financial year (if appropriate submitting an application through its area office for a relaxation of the requirement for a qualified auditor) as to whom it is intended to appoint to examine the branch accounts. This is so that the qualified auditor or independent examiner can become familiar with the accounting methods used by the branch before the end of the financial year.

4.6.1 End of year adjustments

Ideally, the annual income and expenditure account should be as simple as possible and apply only to income and expenditure during the year. It may however be necessary, where significant amounts are paid during one financial year but largely relate to the next financial year, to make an adjustment in the accounts. This is termed a prepayment. An example might be the payment of a substantial insurance premium towards the end of the year. It could also be the case that substantial expenses are built up during the latter part of a year but may not be billed until the next year. An adjustment for this would be an accrual.



The value of a prepayment should be easy to assess as the expenditure can be apportioned in relation to the periods it applies to in the two years. It may be less easy to assess the value of an accrual as precise costs may not be known. However, an assessment can be made on past experience. Having decided on the value of the adjustments to be made to the accounting year the income and expenditure account should then be adjusted by deducting any prepayment from the relevant expenditure item in the income and expenditure account and adding any accrual to the relevant expenditure item in the income and expenditure account.

4.6.2 Welfare account

Welfare monies are accounted for by the branch welfare officer separately from, but as a subsidiary account to, the branch general account. Welfare officers should maintain their own cash book and records and the welfare monies should be held in a separate bank account. The welfare account should be audited at the same time as the branch general account. A separate welfare account should be included with the branch annual accounts with the surplus or deficit on the welfare account incorporated into the income and expenditure account. The amount of cash at bank and in hand in the welfare account should be incorporated as part of the total of the branch's cash at bank and in hand in the branch balance sheet. An example of a welfare account statement is included at appendix 3.

4.6.3 Notes to annual accounts

It is common practice to provide supporting notes to annual accounts explaining how certain amounts have been arrived at. The purpose of these notes is to inform the reader of the accounts and they can be helpful to both the branch and branch club committees and the membership as a whole.

4.6.4 Forwarding of branch annual accounts

Branches are required to forward their annual accounts, duly audited or independently examined, to their area office by no later than 31 March following the end of the financial year. Two copies of the accounts should be forwarded and these should include the report of the qualified auditor or independent examiner and a statement as to whether the accounts have been (as should normally be the case) approved by the branch at its annual general meeting (AGM). Where a branch has a branch club, the accounts of the branch club, which must be a separate set of accounts, should also be forwarded as an attachment to the branch accounts.


The accounts should accompany the annual 1056 return. Membership and Wings Appeal rebates to branches will only be released once both the 1056 and the accounts have been received by the area office and then only on the authorisation of the director of membership. The Association, as a charity, can only make payments to charities that are compliant with the requirements of the Charity Act, failure to do so would make the Association non-compliant.

4.7 Insurance

4.7.1 Insurance cover taken out on behalf of branches

All branches are covered against:

- Third party claims made on the Association for accidents arising from activities within the UK in respect of which the Association may be held legally liable. The cover excludes accidents connected with animals, flying, dirt-track or other vehicular races or sport and liability accepted in signed agreements, for example when hiring a hall
- Personal accident injuries to the members of the branch committee while undertaking Association business. Branch voluntary helpers, provided they are acting with the knowledge and consent of the branch committee, are also covered for personal accident injuries
- Breach of duty or negligence by the members of the branch committee acting as charity or property trustees for the branch



Further details of the cover provided can be obtained from headquarters. The premiums for the above policies are met from Association funds. If a UK branch intends to organise functions or events for which there is no cover in the Association's policies, the branch committee should seek early advice from its area office.

4.7.2 Insurance of property

The members of the branch committee, as charity trustees for the branch, are required to protect the branch through the provision of appropriate insurance. The responsibility for arranging such insurance for premises may depend on the precise circumstances of ownership and/or on the conditions of any lease as between the branch and its branch club. Whether the branch or the branch club is responsible under a leasing arrangement for taking out or paying for such insurance, the level of insurance cover must be based on the reinstatement value of the premises and needs to cover all elements of rebuilding including necessary demolition, site clearance and professional fees.

Professional advice should be taken on the level of the cover if there is any question as to whether the cover is adequate. Where a branch holds additional property, for example a computer, it should take out additional cover. It will be found that the Association's insurance brokers can quote competitive premiums for both premises and other property insurance.

For the avoidance of doubt and for further assistance, branch officers should contact the director of governance and risk at headquarters who will be able to provide clarity in relation to insurance matters.

4.8 Other points

4.8.1 Reserves policy

BR12(12) states that branches should have a reserves policy in place, which aims to ensure that branches hold in reserve funds sufficient to sustain the branch for a minimum period of six months. At each AGM, the committee should consider what activity will be taking place over the next six months and the likely overall reserves required to support that activity. The resulting value of reserves agreed upon by the committee should be presented to the committee as a policy statement and should be reviewed annually.

It is important that branches do not hold excessive reserves as this contravenes Charity Commission guidance and will ultimately call into question the charitable purpose of the branch. As a guide, under normal circumstances, no branch should require any more than a total of two years of anticipated expenditure in reserves. Any amounts in excess of this should be forwarded to headquarters to be held in the branch deposit fund(s), BR12(15) refers. A form for deposits and withdrawals from the branch deposit fund can be found at appendix 6. For further information regarding the branch deposit fund(s) and how it works please email branchfinance@rafa.org.uk and guidance will be provided.

Given the onerous nature of managing investments, see BR12(13), branches are discouraged from managing their own investments, this service can be provided by headquarters within a compliant and secure framework.

4.8.2 Branch liability for trade and other debts

Rule 39(2) states that branch committees shall not have the power to pledge the credit of the Association. Branch committees should therefore, before entering into any contract or financial commitment on behalf of the branch, be satisfied that the branch's financial position is such as to enable it to meet any financial liability that it is proposed to incur.



4.8.3 Grants or loans to branches

Rule 35 provides a power to Council to make grants or loans to branches. The present policy is not to make grants other than in exceptional circumstances and not to make loans for the purchase of premises. Loans may be made in respect of essential repairs or modifications to property to meet health and safety requirements or fire safety regulations. A branch committee considering an application for a loan should seek the advice of its area office and should not incur expenditure or place contracts based on the expectation that a loan will be approved.

Under no circumstances are branches able to make grants or loans to branch clubs.

4.8.4 Registered charity status

Branches should be registered charities in their own right. Branch committee members should seek advice from their area office in the first instance.

It falls to the treasurer of the branch to file annual accounts with the Charity Commission, the deadline for which is ten months following the end of the financial year. It is preferable to file accounts as soon as they are agreed at the AGM and signed appropriately.

4.8.5 HMRC – Gift Aid

As a registered charity it will be possible to recover Gift Aid in certain circumstances. Registering with HMRC is relatively simple and a branch will require three individuals as a minimum to manage the process. It is recommended that the chairman and the secretary be appointed as managers of the process, while the treasurer is appointed as the authorised officer (AO). The AO is the only person who can submit a claim for Gift Aid. The other two individuals serve as being known to HMRC, and these individuals must notify HMRC, using a downloadable ChV1 form, about any changes to any one of the three aforementioned individuals.

The system of claiming Gift Aid is quite complicated if you try and do it directly with HMRC, a simpler solution you may wish to consider is provided by www.fundfiler.com. This is already successfully being used by at least one branch and is compliant with the requirements of HMRC. This branch also uses Gift Aid envelopes – these can be used at churches to support the Wings Appeal and in other places where a collecting tin is less appropriate. More information regarding Gift Aid envelopes can be obtained from branchfinance@rafa.org.uk.

4.8.6 Branch functions and donations

Where a public function, such as an air display, dance, concert or sports tournament is organised by a branch for the benefit of the Association, branch committees should ensure that the charitable purpose of the function is made clear in any appeals for support or advertisements and that the event is taking place in the for the benefit of the Association.

Published material about the function should include the following words after the branch name: “A branch of the Royal Air Forces Association” and should include the branch’s unique registered charity number, this number should be used instead of the Association number.

A separate record should be maintained for the function, capturing and itemising all income and associated costs, and the net proceeds credited in the first instance to the branch general account. If funds have been raised for the general purposes of the Association, the net proceeds should then be forwarded direct to the fundraising department or, if preferred, forwarded as part of the branch’s Wings Appeal proceeds. If funds have been raised for a particular purpose, then the net proceeds should be forwarded appropriately. An acknowledgement of receipt should be obtained for audit purposes.



Where a public function is organised by a branch in aid of branch funds, the branch committee should ensure that any published material about the function makes clear its purpose and includes the words shown above. A separate record should be maintained for the function, capturing and itemising all income and associated costs, and the net proceeds credited to the branch general account. Where a branch wishes to raise funds for a purpose outside the charitable object of the Association, for example to contribute to a memorial or to support a local RAF air cadet squadron, then the branch committee should ensure that any published material about the fundraising makes its purpose clear. A separate record should be maintained for the fundraising event, capturing and itemising all income and associated costs, and the net proceeds passed to the designated organisation for which the funds were raised. An acknowledgement of receipt should be obtained for audit purposes.

Where a branch receives individual donations for the purposes of the Association from the public, these should be credited to the branch general account and forwarded as appropriate. If the donations are for the general purposes of the Association, it may be appropriate to include them in the branch's Wings Appeal proceeds.



5 Required practice

Branch treasurers are reminded not to make:

- Loans to members
- Loans to branch clubs
- Cash payments to RAF Air Cadet branches
- Dispose of property and assets
- Honoraria payments

Branch treasurers are reminded not to have:

- A single signature on any bank account
- A single committee member (trustee)
- The branch and club using the same bank account
- The branch and welfare using the same bank account
- Extensions to buildings without planning permission or building control approval
- Branches or branch clubs reporting the value of the buildings within their accounts
- Employees with no employment terms and conditions or policies
- Committee members (trustees) signing blank cheques
- Branch officers (trustees) signing leases and other contracts – taking personal liability
- Tenancy agreements downloaded from the internet
- 'Commercial' relationships without undertaking any due diligence

6 Appendix 1 – Example balance sheet

EXAMPLE BALANCE SHEET

THE ROYAL AIR FORCES ASSOCIATION BRANCH
 BRANCH BALANCE SHEET as at 31 December 2017

	31.12.17		31.12.16	
	£	£	£	£
FIXED ASSETS				
Equipment (at cost less depreciation)		8,360		6,150
CURRENT ASSETS				
Stocks	1,250		2,500	
Debtors	50		65	
Deposits at headquarters	10,000		10,000	
Cash at bank and in hand	150		150	
Branch general accounts branch welfare accounts	1,780		3,500	
		13,230		16,215
		21,590		22,365
Less: CURRENT LIABILITIES				
Creditors	350		325	
Loan from bank	0		0	
Loan from branch club subscriptions in advance	150		125	
		500		450
TOTAL ASSETS LESS CURRENT LIABILITIES		21,090		21,915
Financed by:				
ACCUMULATED FUND				
Balance as at 1 January 2017	20,915		21,765	
Add: surplus for the year	175		150	
Balance as at 31 December 2017		21,090		21,915

Appendix 2 – Example income and expenditure account

EXAMPLE INCOME & EXPENDITURE ACCOUNT

THE ROYAL AIR FORCES ASSOCIATION BRANCH

INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 December 2017

	31.12.17		31.12.16	
	£	£	£	£
INCOME				
Wings Appeal gross proceeds	2,500		2,450	
Less: retained by headquarters	<u>2,000</u>	500	<u>1,960</u>	490
Rebate of ordinary life and associate				
Member subscriptions from headquarters	125		120	
Associate member additional annual				
Payments under byelaw	80		75	
Branch associate subscriptions	<u>65</u>	270	<u>60</u>	255
Rents receivable	1,200		1,200	
Surplus from social activities	750		700	
Sales of commemorative goods	350		325	
Interest on deposits	100		100	
Donations received	<u>710</u>	3,110	<u>618</u>	2,943
		<u>3,880</u>		<u>3,688</u>
Less: EXPENDITURE				
Insurances	250		335	
Repairs, renewals and maintenance	50		75	
Rates	200		198	
Telephone	205		195	
Printing, stationery, advertising and postage	125		120	
Purchases of commemorative goods	300		295	
Accountancy and audit fees	350		350	
Payment to headquarters of ordinary, life and				
Associate member subscriptions	125		115	
Payment to headquarters under byelaws 4 and 13(7)				
Of subscriptions for branch members	150		145	
Donations made	150		100	
Welfare expenditure	1,000		850	
Wings appeal expenses	75		70	
On social activities	250		225	
Branch committee expenses	75		70	
Expenses of delegates to Association meetings and conferences	225		220	
Bank charges	25		25	
Sundry expenses depreciation on fixed assets	<u>150</u>		<u>150</u>	
		<u>3,705</u>		<u>3,538</u>
Surplus/(deficit) for year		<u>175</u>		<u>150</u>

Appendix 3 – Example welfare account

EXAMPLE WELFARE ACCOUNT

THE ROYAL AIR FORCES ASSOCIATION..... BRANCH

BRANCH WELFARE ACCOUNT as at 31 December 2017

	31.12.17		31.12.16	
	£	£	£	£
RAF BENEVOLENT FUND:				
Brought forward as at 1 January 2017	100		150	
Received from the Fund	1,500	1,600	1,350	1,500
Less: Grants made during the year		1,580		1,400
Carried forward as at 31 December 2017		20		100
BRANCH LOANS:				
Brought forward as at 1 January 2017	50		75	
Loans made during the year	150		100	
		200		175
Less:				
Repayments during year	100		50	
Loans written off as grants	50		75	
		150		125
Carried forward as at 31 December 2017		50		50
WELFARE EXPENDITURE:				
Grants	1,580		1,400	
Donations	100		100	
Gifts to sick members and tributes	420		400	
Christmas gifts	350		325	
Welfare officer's expenses	150		125	
		2,600		2,350
Less:				
Deposit account interest	100		150	
Donations received	1,500		1,350	
		1,600		1,500
Balance transferred to income and expenditure				
Account as at 31 December 2017		1,000		850



Appendix 4

Membership nominal roll (form 4)

The Royal Air Forces Association Nominal roll to accompany form 5

MEMBERSHIP RENEWALS / NEW MEMBERSHIPS

Branch name..... Branch code.....

DATE	NAME	MEMBERSHIP NUMBER	CLASS OF MEMBERSHIP ORD / ASS / NEW	£ REMITTANCE	ADDRESS

Area remittances (form 5)

The Royal Air Forces Association
Remittances transfer to headquarters Atlas House

Branch name..... Branch code.....
Subscriptions for current year / renewals and new memberships

Ordinary Members

1 Year £20.50
4 Year £78.00

Associate Members

1 Year £8.50
1 Year (inc Air Mail) £14.50
4 Years £30.50
4 Years (inc Air Mail) £55.50

QTY				£	P
1		Ordinary 1 year	@	£20.50	
2		Ordinary 4 year	@	£78.00	
3		Associate 1 year (no Air Mail)	@	£8.50	
4		Associate 1 year (inc Air Mail)	@	£14.50	
5		Associate 4 years (no Air Mail)	@	£30.50	
6		Associate 4 years (inc Air Mail)	@	£55.50	
TOTAL					

Signature.....

Name in block capitals.....

Date.....

NB. 4 year memberships are only available to previous 4 year members

Appendix 5 – Analysed cash book

EXAMPLE OF ANALYSED CASH BOOK (RECEIPTS)

Date	Item	Folio	Cash	Bank	Subs	Trading	Donations	Events	Misc	Misc
			£	£	£	£	£	£	£	£
1 Jan	Balances	B/F	2.60	580.50					B/F	583.10
8 Jan	Subs	SB/5	9.00		9.00					
8 Jan	Dance ticket sales	RB/20	125.00					125.00		
9 Jan	Subs	SB/6	46.00		46.00					
15 Jan	J Smith	RB/21	8.60			8.60				
15 Jan	Cash to bank	ç		150.00					ç	150.00
23 Jan	Dance ticket sales	RB/21	95.00					95.00		
25 Jan	Cash to bank	ç		90.00					ç	90.00
26 Jan	Raffle at dance	RB/22	16.50					16.50		
28 Jan	A Jones	RB/23	15.00			15.00				
28 Jan	Donation	RB/24	10.00				10.00			
29 Jan	Subs	SB/7	15.00		15.00					
31 Jan	Cash to bank	ç		70.00					ç	70.00
	Totals		342.70	890.50	70.00	23.60	10.00	236.50		893.10
1 Feb	Balances	B/F	9.19	519.60						

EXAMPLE OF ANALYSED CASH BOOK (PAYMENTS)

Date	Item	Folio	Cash	Bank	Subs	Trading	Postage	Expenses	Events	Stationery	Misc	Misc
			£	£	£	£	£	£	£	£	£	£
2 Jan	Hire of hall	220		50.00					50.00			
4 Jan	Jones & Co	221		18.60						18.60		
10 Jan	RAFATRAD	222		30.60		30.60						
12 Jan	Postage		3.51				3.51					
12 Jan	Chairman expenses		20.00					20.00				
15 Jan	Cash to bank	ç	150.00								ç	150.00
19 Jan	Bank charges	D/D		1.50							Charges	1.50
22 Jan	Dance - caterer	224		120.00					120.00			
22 Jan	Dance - band	225		35.00					35.00			
25 Jan	Cash to bank	ç	90.00								ç	90.00
28 Jan	Insurance	225		27.50							Insurance	27.50
29 Jan	Form 5 to Area HQ	226		52.50	52.50							
31 Jan	Cash to bank	ç	70.00								ç	70.00
31 Jan	RAFATRAD	227		35.20		35.20						
31 Jan	Balances	C/F	9.19	519.60							Bal C/F	528.79
	Totals		342.70	890.50	52.50	65.80	3.51	20.00	205.00	18.60		867.79

Appendix 6 – Branch deposit form

BRANCH DEPOSIT FUND FORM

DEPOSIT BY BRANCH

Branch name	
Amount (minimum £1,500)	
Select method:	
<input type="checkbox"/> Cheque (payable to The Royal Air Forces Association, post to HQ Finance Department, Atlas House, 41 Wembley Road, Leicester, LE3 1UT)	
<input type="checkbox"/> Bacs transfer (ref: branch name, Account 00016072, Sort Code 300004)	
Fund (tick one option)	<input type="checkbox"/> Option A- HQ Managed Fund <input type="checkbox"/> Option B- Rothschild Managed Fund
Signed by:	Branch Treasurer
Date	

WITHDRAWAL BY BRANCH

Branch name	
Amount	
Explanation	
Payment via Bacs. Branch Bank Details:	
Account number Sort Code.....	
Signed by:	
	Branch Treasurer
	Branch Chairman
Date	

Email: branchfinance@rafa.org.uk or post to HQ Finance Dept, Atlas House, 41 Wembley Road, Leicester, LE3 1UT



Appendix 7 – Extracts from the governance handbook

The Rules:

Rule 1. Definitions

- (2) In these Rules unless the subject or context otherwise require:
 - (h) 'Charities Act' means the Charity Act of 2011 and/or the Charities & Trustee Investment (Scotland)
 - (n) 'Investment Manager' means an individual, company or firm who is authorised to give investment advice under the Financial Services and Markets Act 2000 (as it may be amended, extended or re-enacted from time to time);
 - (o) 'Independent Examiner' means an independent person who is reasonably believed by the Council, Area, Regional or Branch Committee to have the requisite ability and practical experience to carry out a competent examination of the accounts;
 - (y) 'Taxable Trading' means carrying on a trade or business on a continuing basis which is for the principal purpose of raising funds rather than for the purpose of actually carrying out the Object, unless the income of the Association from that trade or business is exempt from tax by reason of any legislation from time to time in force;
 - (z) 'Treasurer' means the Treasurer of the Association;

Rule 31. Branches – Property and Assets

- (1) Subject to paragraph (2) of this Rule the Chairman, Officers and other Members of the Branch Committee shall be collectively responsible for the funds and other property or assets of the Branch and its liabilities. They shall also be responsible, in the case the Branch shall cease to exist or be closed, for:
 - (a) Realising the value of any property or assets;
 - (b) Satisfying any proper debts and liabilities;
 - (c) Forwarding, within the period prescribed by the Byelaws, any remaining funds or assets together with an audited statement of account and all the records of the Branch, to the Secretary General.
- (2) Should any Branch not fully follow the procedures laid down in paragraph (1), or in any other way be responsible for a Branch not being in conformity with the Charities Act or other Legislation or Regulation or being mismanaged, the Council may require, that any property or asset of a Branch, shall be vested in or transferred to the Association, or such other person or persons as the Council may from time to time approve or require, on trust for the Branch.

Rule 35. Finance and Accounts – Grants or Loans to Branches

- (1) Grants or loans to Branches may be made by the Council under the provisions of Article 3(i) of the Charter and shall be governed by such procedures and shall be subject to such terms and conditions as may be determined by the Council.
- (2) Any property, acquired under these provisions, shall be held in the name of the Association or in that of such person or persons, in trust for the Association as the Council shall determine. At the discretion of the Council, it may also be a condition of a grant or loan for essential repairs and alterations, the property shall be held in the name of the Association or in that of such a person or persons in trust for the Association as the Council shall determine.

Rule 37. Finance and Accounts – Investment of Branch Funds

The Council shall issue instructions regarding the investment of Branch Funds shall comply with the provisions of the Trustee Investments Act 2000 and/or the Charities & Trustee Investment (Scotland) Act 2005, (as they may be amended, extended or re-enacted from time to time).



The Byelaws

Byelaw 1. Authority and Date of Effect

These Byelaws are made by the Council under Rule (4) and shall come into force on 16th day of November 2016 and as from that date any Byelaws then in force shall cease to have effect.

Byelaw 7. Membership – Subscriptions

- (1) Members shall pay such annual subscription as appropriate to their class of membership as determined by the Association at an Annual Conference.
- (2) Members' first annual subscription shall be due on receipt on application.
- (3) Subsequent annual subscriptions of members who joined the Association prior to 1 January 2017, shall be due on the first day of January in each year; for members joining after 1 January 2017, subsequent annual subscriptions shall be due on the anniversary of their joining (or on such other date as may be determined by the Council subject to subsequent approval by Annual Conference).
- (4) The prescribed period after the first day of January in each year or the anniversary of their joining (or such other date as may be determined by Council subject to subsequent approval by Annual Conference) at the expiration of which membership ceases if the subscription has not been paid, shall be one month.
- (5) Members are only required to pay one annual subscription as prescribed, regardless of the number of Branches with which they are registered.
- (6) A member who can prove, each year, they are unable, for whatever reason, to keep paying their annual and branch subscription may be permitted by the Branch Committee to remain a member, despite non-payment of such subscription, on terms set by that Branch Committee. The Branch is responsible for providing, solely from the branch subscriptions paid by other members of that Branch, the portion of the membership fee due in respect of any member so excused.
- (7) Branches must forward the full amount of any subscriptions received for members to the Headquarters. Part of each subscription for a member of a Branch will be returned to the home Branch, at the beginning of each subscription year, based on the membership of the Branch at the end of the previous subscription year.
- (8) The membership rebate for those on an Area Roll will be allocated within the Association's budget to facilitate events within the Area (including Regions) at the discretion of the Area Council.
- (9) A Branch may determine, at an Annual General Meeting, Members shall pay an additional annual amount to the Branch for its funds.

Byelaw 16. Conference – Information for Branches

Copies of the Annual Report of the Council and of the Annual Accounts of the Association shall be issued and/or made available electronically to all Branches and Areas attending Annual Conference not less than 14 days before the first day of the Conference. Branches not represented at Annual Conference will receive these documents as soon as practicable after Conference. Copies will be made available on the Association's website. For the avoidance of doubt notices and information shall be sent out by email to the email address notified by each Branch Representative to the Association.

Byelaw 18. Branches – Formation

- (2) Charitable status of branches (approved at Conference 2017)
 - (a) The Association requires all Branches, utilising the Royal Charter as their charitable objects:
 - (b) In England and Wales to be registered as individual charities with the Charity Commission;
 - (c) Branches in Scotland are required to register with the Office of the Scottish Charity Regulator (OSCR).
 - (d) Branches in Northern Ireland are deemed to be a charity regulated under the Association's charity number, 226686, which in turn means that Branches in Northern Ireland are registered under Section 167 of the Charities Act (NI) 2008.
 - (e) Branches, elsewhere, should take local action to ensure compliance with local Charity legislation and to register/confirm their charitable status as necessary. If a problem arises, they should contact their Area Office.
 - (f) Branches should contact their Area Office for advice and guidance on registering with the Charity Commission, OSCR or their local charity regulator.



Byelaw 20. Branches – Production of Books

- (1) A Branch or Branch Club, on being required to do so by the Council or the appropriate Area Council, shall produce all books, records and other documents for the inspection of the authorised representative of the Council or the Area Council.
- (2) Annual accounts of all Branches and Branch Clubs shall be provided to their Area Director by 31 March each year.

Byelaw 21. Branch Closure – Forwarding of Accounts and Funds

The prescribed period for forwarding the remaining funds and audited accounts on the closure of a Branch as required by Rule 31 shall be three months.

Byelaw 24. Finance and Accounts – Credits to Association Funds

- (4) There shall be credited to each Branch Fund:
 - (a) Part of each subscription, for members of a Branch, returned to the Branch at the beginning of each subscription year;
 - (b) All monies paid or donated to that Branch specifically for its purpose and benefit;
 - (c) All monies, raised by that Branch, specifically for its purpose and benefit with such approval as may be required by the Area Council.

Byelaw 25. Finance and Accounts – Examination of Accounts

- (1) The accounts of the following shall be examined annually:
 - (a) The Association by a qualified auditor appointed by the Association at Annual Conference;
 - (b) Each Branch by a qualified auditor or independent examiner whose appointment shall be made by the Branch at the Branch Annual General Meeting.

Provided that:

- (2) A qualified auditor or an independent examiner shall be appointed where the gross annual income or expenditure of the Branch exceeds £25,000 or where the Council or the Area Council directs a qualified auditor or an independent examiner be appointed.
- (3) A qualified auditor or independent examiner shall be appointed in any case where a Branch has a Branch Club and the gross annual turnover of the Branch Club exceeds £25,000 or such other amount as the Council may direct. The qualified auditor or independent examiner shall, in these circumstances, audit the accounts of both the Branch and the Branch Club.
- (4) Subject to UK legislation or regulation requirements, where a Branch meets such conditions as are laid down by the Council, then the requirement for a qualified auditor to audit the accounts of both the Branch and the Branch Club shall not, following application to and approval by the Council, apply.
- (5) The Council, or the Area Council, may require an additional examination of the accounts of a Branch shall take place by a qualified auditor or independent examiner approved by the Council or Area Council.

Byelaw 26. Finance and Accounts – Availability of Accounts

The annual accounts of the Association and Branches, together with the report of the qualified auditor or independent examiner, shall be kept available for inspection by any Member.

Byelaw 27. Finance and Accounts – Expenses

- (3) The reasonable expenses of a Branch Committee, including those of its members attending meetings and of any delegates from the Branch to Area or Annual Conferences, may be reimbursed from the Branch Fund.



Branch Regulations

BR 1. Authority and Date of Effect

- (1) These Standard Branch Regulations, having been approved by the Association at its Annual Conference in 2017, shall come into operation on 15 May 2017 and as from that date any Branch Regulations then in force shall cease to have effect. Provided that a local variation to Standard Branch Regulations that has previously been approved for the Branch by the Council shall continue in effect if it remains applicable to the new Regulations.
- (2) Any amendment made to these Regulations by a decision of a Conference of the Association shall be deemed to take effect from the date of formal notification of the amendment to the Branch.
- (3) Branches may apply to the Council for a local variation to these Regulations in accordance with Rule 5. Any such application may only be made following a resolution carried by a majority of the Members present and voting at a General Meeting of the Branch.
- (4) Any local variation to the Regulations shall be deemed to take effect from the receipt of the formal notification of the approval of the Council.

BR 6. Charitable Status of Branches

The Association is a registered charity and Branches, as part of the Association, have charitable status. Branches must meet the requirements of Byelaw 18 (2).

BR 10. The Committee of the Branch

The Responsibilities of the Members of the Committee are:

- (10) The Treasurer shall be responsible to the Committee and the Branch for (but not limited to):
 - i. For overseas Branches only: Receiving subscriptions and paying the due subscriptions to HQ;
 - ii. Receiving and disbursing Branch monies, including monies raised from entertainment and other functions in aid of Branch or Association funds, and maintaining books and accounts in compliance with such instructions as may be issued by or on behalf of the Council;
 - iii. Presenting to the Committee at each of its Ordinary Meetings a statement showing the current financial position of the Branch;
 - iv. Presenting to the Committee any specially called for Statement of Accounts and Report of the Auditor or Independent Examiner that will be or has been forwarded to the Area Office in accordance with Byelaws 25 and 26;
 - v. Presenting to each Branch Meeting (other than the Annual General Meeting) a statement showing the current financial position of the Branch;
 - vi. Presenting to the Committee and to the Annual General Meeting the Statement of Accounts of the Branch for the preceding financial year and the Report of the Auditor or Independent Examiner; and
 - vii. Submitting to the Area Office by 31 March each year a copy of the Statement of Accounts for the preceding financial year and the Report of the Auditor or Independent Examiner.

Appointment of Trustees to Hold Land or Premises

- (14) Where the Branch acquires or holds land or premises the Committee shall appoint the Royal Air Forces Association (corporate body) as sole trustee to hold such land or premises for and on behalf of the Branch. (Branches are unincorporated associations, with no legal personality and as such are prevented from owning land or premises in their name.)
- (15) The Royal Air Forces Association (corporate body), acting as sole trustee for and on behalf of the Branch, is bound to act in accordance with the instructions of the Branch Committee provided such instructions are lawful. (Where a Branch closes such land or premises reverts to the Royal Air Forces Association.)
- (16) Where an individual has been appointed as a Trustee under the terms of the proviso to paragraph (1) of this Regulation they must meet the requirements of Byelaw 9. Provided that arrangements to appoint not less than two or more than four Ordinary or Life Members of the Branch as trustees to hold such land or premises made prior to the date of effect of these Regulations may continue to apply until an opportunity arises to appoint the Association as sole Trustee.

BR 12. Finance and Accounts

Branch Bank Accounts

- (1) All monies received for the general purposes of the Branch shall be banked without delay into an account held in the name of the Branch.
 - (a) Any cheques drawn on this account shall be signed by the Chairman or the Secretary and countersigned by the Treasurer or an Officer of the Branch authorised by the Committee to be a reserve signatory.
 - (b) Electronic banking provisions shall be authorised by the Treasurer and countersigned by an Officer of the Branch authorised by the Committee to be a reserve authoriser. Provided that those persons authorised to sign, countersign, authorise or confirm authorisation are a) not related and b) not living in the same household.
- (2) All monies received for the welfare purposes of the Branch shall be banked without delay into a Branch Welfare Account.
 - (a) Any cheques drawn on this account shall be signed by the Welfare Officer and countersigned by the Treasurer or the Secretary. In the absence of the Welfare Officer the Chairman or other Officer of the Branch authorised by the Committee to be the reserve signatory may act as signatories.
 - (b) Electronic banking provisions shall be authorised by the Treasurer and countersigned by an Officer of the Branch authorised by the Committee to be a reserve authoriser.
Provided that those persons authorised to sign, countersign, authorise or confirm authorisation are a) not related and b) not living in the same household.
- (3) No other bank accounts may be held in the name of the Branch without the previous written consent of the Area Council or the Council.

Branch Annual Accounts

- (4) The accounts of the Branch for the period 1 January to 31 December shall be examined annually in accordance with the provisions of Byelaw 25 and a statement of the Branch Accounts together with a report from the Auditor or Independent Examiner shall be forwarded to the Area Office not later than the following 31 March.
- (5) In the case of a Branch with a Branch Club the Statement of Accounts of the Branch shall attach a Statement of Accounts together with a report from the Auditor or Independent Examiner of the Branch Club for the corresponding period. Branch Clubs are required to have a full audit on a triennial basis (or such period as maybe defined from time to time by HMRC). A qualified auditor or independent examiner shall be appointed to audit the accounts of both the Branch and the Branch Club in accordance with the provisions of Byelaw 25.
- (6) In accordance with Byelaw 26 the Branch accounts shall be kept available for inspection by any member, Area Office or HQ.

Expenses

- (7) Where reasonable expenses are necessarily incurred:
 - (a) by a Member of the Committee in carrying out the functions and responsibilities of the Branch;
 - (b) by the Honorary Welfare Officer carrying the duties and functions relating to welfare;
 - (c) by the Branch delegate attending an Association Annual or an Area Conference;
 - (d) by the Branch delegate attending a Regional Committee meeting; and
 - (e) by the Branch Standard Bearer attending an Annual or Area Conference or parade or ceremony;
- (8) Claims for such expenses must be made within one month of them being incurred.
- (9) Such expenses may be reimbursed from Branch funds.

Payments to a Member of a Branch

- (10) The business of the Branch shall normally be carried out without payment to individual members of the Branch but, subject to the provisions of Article 4 of the Royal Charter and to the approval of the Council, the Branch in General Meeting may authorise:
 - (a) Reasonable expenses payment to a member of the Branch for general services rendered in carrying out the functions and responsibilities of the Committee;
 - (b) A payment to a member of the Branch for a specific service provided in dealing with a necessary matter related to the functions and responsibilities of the Branch.
- (11) Members of the Committee as Trustees of the Branch Charity may not receive a regular payment from the Branch for any activity. Regular payment to a Trustee can only be made following approval from Council and the relevant Charity Commission/Regulator.



Investment

- (12) Branches should have a 'Reserves Policy' in place which aims to ensure that Branches hold in reserve funds sufficient to sustain the Branch for a minimum period of six months.
- (13) Exceptionally, where a Branch Committee wishes to invest funds, such investment shall be authorised by the Branch Committee in accordance with the provisions of Rule 36 and Branches are required to conform to the Charity Act, the Trustee Investment Act of 2000 and/or the Charities & Trustee Investment (Scotland) Act 2005 and the Financial Services and Markets Act 2000 (as they may be amended, extended or re-enacted from time to time).
- (14) In accordance with Byelaws 20 and 26 the Branch investments shall be kept available for inspection by any member, Area Office or HQ.
- (15) Any of the Branch funds in excess of the required reserves which the Branch do not immediately require for the purposes of the Branch shall normally be invested to the credit of the Branch in the Association's Branch Deposit Fund (minimum £1,500).

Branch Club Rules

Standard Club Rules


Officers' Duties

14. The Treasurer's main duties some of which, subject to the agreement of the Committee, may be delegated are:
 - (a) Receiving membership subscriptions;
 - (b) Receiving and disbursing Branch Club monies, including bar and gaming machine takings and monies raised from entertainment and other functions, and maintaining books and accounts;
 - (c) Ensuring that monies are banked promptly and that invoices for supplies or services to the Branch Club are properly authorised and paid;
 - (d) Presenting to the Committee at each of its Ordinary Meetings a statement showing the current financial position of the Branch Club. This statement should routinely include statements of:
 - i. Income and expenditure;
 - ii. Cash at bank and in hand;
 - iii. Debtors and creditors;
 - iv. Bar gross percentage profit;
 - v. Value of stocks;
 - vi. The overall financial state of the Branch Club.
 - (e) Presenting to the Committee and to the Annual General Meeting the Statement of Accounts of the Branch Club for the preceding financial year and the Report of the Auditor or Independent Examiner;
 - (f) Forwarding the Branch Club quarterly return to the Area Office.

Employment of Staff

17. Employment of full or part-time staff requires careful attention to legal and other statutory requirements. Availability of detailed reference material and in some instances, legal advice is essential to avoid pitfalls. The following matters will or may require attention:
 - (a) Advertising for and engaging an employee including taking up of references;
 - (b) Contracts of employment;
 - (c) Health and safety at work;
 - (d) Provision of accommodation;
 - (e) Payment of wages and matters related to statutory minimum wages;
 - (f) Deduction of Income Tax and National Insurance;
 - (g) Procedures for dismissal or redundancy.

Committees are advised that contracts of employment and licences for agreements for the use of accommodation are subjects on which legal advice should be sought as both these matters require drawing up complicated documents, safeguarding the rights of both the employee and the employer. If it is intended to dismiss or make redundant an employee it is also sensible to take early advice to avoid the possibility of a claim of unfair or constructive dismissal. Such advice can be obtained from your Area Office in the first instance and from the local offices of the Advisory, Conciliation and Arbitration Services (ACAS) or from a legal adviser. There is an ACAS Code of Practice on Disciplinary and Grievance Procedures which can be helpful and officers of ACAS are prepared to advise both on the procedures and on individual cases, even if they have not yet reached the point of dismissal.



18. Employment legislation is also being affected by European Union legislation such as the European Working Time Directive, which covers such matters as the minimum wage and paid holidays. In addition new regulations are in the pipeline covering Fairness at Work. Clubs should also be aware that the Welfare Reform and Pension Act 1999 requires that employers with five or more employees shall offer their employees access to a Stakeholder Pension Scheme.

Insurances

23. The Committee needs to ensure that the Branch Club is adequately insured. In particular the Committee will need to consider:
- (a) Personal accident insurance for Members of the Committee, employees, voluntary helpers and members on Branch Club business away from the premises of the Club;
 - (b) Indemnity insurance for Branch Club Trustees;
 - (c) Public Liability insurance in relation to the operation and the premises of the Club;
 - (d) Employer's Liability;
 - (e) Premises and Contents insurance including cash, stocks and gaming machines;
 - (f) Fidelity Bond insurance.

Personal Accident insurance should be covered by the Association's Central insurance policy for Branches together with Trustee indemnity insurance and public liability insurance. Committees will need to ensure that Employer's Liability is also covered. The need to take out insurance on the premises will depend on the circumstances of ownership and/or on the conditions of the lease with the Branch and they need to establish where responsibility lies for this insurance.

Where the Branch Club is responsible for the insurance of the premises the level of insurance cover must be based on the reinstatement value of the premises. Committees will need to ensure that contents, cash, stock and gaming machines are fully covered. It should be noted that the Association's central policy does not include Branch Club operations outside the UK and that there may be restrictions on the cover if a Branch Club is contracting or franchising part of its operations. If a Branch Club is uncertain of its insurance position in relation to the Association's central policy it should contact its Area Office.

24. In order to ensure that the circumstances of any accident, injury or loss which may give rise to a claim are fully and accurately recorded an accident/loss book should be kept and all occurrences recorded in it. If necessary witnesses should be asked for written statements and these should be retained. The recording should apply to all persons (whether they are members, guests, employees or casual visitors) Using or entering the Club premises including any land surrounding it, a car park. The recording of accidents or injuries involving employees is particularly important in relation to the Health and Safety at Work Act 1974 (see para 14.28 below) as the circumstances of the accident could become the subject of prosecution under the Act.
25. The Association's Insurance Brokers are experienced at dealing with Branch Clubs and can obtain competitive insurance. Details of the Brokers can be obtained from Area Office.

Annex A to Branch Clubs – Formation and Management Branch Club Property

Introduction

1. Branch Clubs are classed in law as unincorporated associations and as such have no legal personality. They cannot therefore own property (i.e. land and buildings or the lease for such property) in their own name and such property needs to be held on their behalf by the Association, Standard Club Rule [Appointment of Trustees to Hold Land or Premises] provides for the appointment of the Association for this purpose.

Supplemental Lease

2. To avoid going through the full procedure of establishing a fair rent again when a Branch/Club lease expires, a supplemental lease has been introduced. This lease extends the terms of the original lease and may only be used for lease renewal when an original lease expires. Further details can be obtained from Area Office.



Finance and Accounts

Club Bank Accounts

SCR 74. All monies received for the Club shall be banked without delay into a bank account held in the full title of the Club. The account shall be operated by the Treasurer. There shall be two signatories on any cheques drawn on this account. The Committee shall determine the authorised signatories, at least one of whom shall be an Officer of the Club. Provided that those persons authorised to sign, countersign, authorise or confirm authorisation are a) not related and b) not living in the same household.

Club Annual Accounts

SCR 75. The accounts of the Club for the period 1 January to 31 December shall be examined annually under arrangements made by the Committee and the audited accounts shall be forwarded to the Branch as soon as possible after the year end and in any event in time for the Branch to hold its Annual General Meeting before 31 March.

A qualified auditor shall be appointed by the Branch to audit the accounts of both the Branch and the Branch Club in accordance with Byelaw 25.

SCR 76. The annual accounts of the Club shall be provided to the Branch in the format laid down in administrative instructions made by or on behalf of the Council.

Expenses

SCR 77. Where reasonable expenses are necessarily incurred by a Member of the Committee, such expenses may be reimbursed from Club funds.

Payments to a Member of the Club

SCR 78. The business of the Club shall normally be carried out without payment to individual members of the Club. Exceptionally The Committee may authorise a payment to a member of the Club for a specific service provided in dealing with a necessary matter related to the functions and responsibilities of the Club. Provided that any member who, because of such payments has a financial interest in a matter being considered at a General Meeting of the Club or at a meeting of the Committee, shall declare such interest and shall not vote on the matter.

Authorisation of Expenditure

SCR 79. Only the Committee, by a decision at a meeting of the Committee, or a person specifically authorised by the Committee shall have power to order stock or other goods from traders or to incur other expenditure on behalf of the Club. Provided that any person specifically authorised by the Committee to incur expenditure shall be given a written instruction as to the limits of his authority to incur expenditure.

Stocktaking

SCR 80. Stock takers qualified by previous experience of this class of work shall be appointed to take stock at the end of each quarter of the year and at such other times as the Committee directs. Provided that, where the gross annual turnover of bar sales exceeds such sum as the Council may direct, a professionally qualified stock taker shall be employed to take stock every month.

Investments

SCR 81. Any of the funds of the Club not immediately required for the purposes of the Club shall be invested to the credit of the Club in the Club's bank deposit account or a Building Society deposit account. Exceptionally, where the Committee wishes to invest the funds in other forms of investment such investment shall be referred for approval to the Committee of the Branch. Clubs must comply with Association Rule 36 and Standard Branch Regulation BR 12 (12) – (15).

Dissolution of the Club

SCR 82. Any resolution for the dissolution of the Club shall be considered at a Special General Meeting of the Club. At such a meeting, a majority of two-thirds of the Ordinary Members present shall be required for the resolution to be carried.

SCR 83. On dissolution, any remaining assets of the Club after payment of debts and liabilities shall be transferred to the Branch unconditionally.

Branch Club Finance and Accounts

Overall Responsibility for Financial Control

1. The Committee has the collective responsibility of routine review and overall control of the Branch Club's finances although many of the detailed responsibilities will devolve on the Treasurer. The requirement for the Treasurer to report regularly to the Committee on the Branch Club's financial position is a very important method of maintaining this control and should be insisted on by the Committee. The guidelines for the operation of the Branch finances are laid out within the Governance Handbook (extracts are at Appendix 1) – these are also supplemented by Charity Law and the Statement of Recommended Practice (SORP) (FRS102 Accounting and Reporting by Charities) as to the requirements of the contents of the Annual Accounts of a charity.

Operation of the Branch Club bar facilities

2. The key to the financial success of a Branch Club is careful management and close financial control of the bar facilities. There are many elements to such management and control but the main ones of direct concern to the Committee are:
 - a) Control Over the Ordering of Stocks. The Committee should ensure that there is a clearly defined practice as to who may place orders for bar stock and that there are clear financial limitations on individuals placing such orders;
 - b) Stocktaking. A regular process of stocktaking is essential to have control over the finances of the bar operation. Minimum requirements for stocktaking are set out in Standard Club Rules but it is strongly recommended that stocktaking should be carried out at the end of each month;
 - c) Security of Premises and Cash Holdings. Cash registers of the till roll type or with printout records in each bar, together with security locks on the bar shutters and doors, are essentials to controlled management. Duplicate keys for security locks and gaming machines should be limited to two or three at most. If a safe is installed, it should be bricked securely in position, with the master key lodged at the bank handling the Branch Club accounts and other key or keys held by nominated Committee Members. All key holders should be authorised by the Committee with signatures filed with the Secretary. After the bar is closed the cash till should be emptied, till rolls closed off and till drawers left open. Surplus cash should be banked as soon as possible;
 - d) Financial Recording and Analysis. Careful recording and analysis of the financial transactions of the bar operation is a necessary element of control. There should be routine records of the various types of bar income and expenditure and any variation from normal levels should be examined closely as well as any adverse trends;
 - e) Gross Profit Margin. Careful attention needs to be given to the gross profit margin on bar sales and, unless the bar is run entirely on a self-help basis where a slightly reduced gross profit margin may be acceptable, a significant gross profit margin of at least 54% is needed to cover staff and other overhead costs, further advice should be sought from the Area Office;
 - f) Staff Costs. Staff costs are a key factor as regards the profitability of a Branch Club. Experience has shown that two proportions are of particular importance:
 - a) The percentage that bar staff wages and National Insurance represent of bar sales. If this percentage exceeds 18% and the gross profit margin has been set at a realistic level then attention needs to be paid to control of staff costs. This percentage guideline is used widely within the licensed trade as a measure of economic operation with some breweries and management companies considering that a lower proportion is more appropriate. The percentage that bar staff wages and National Insurance represent of gross profit from bar sales. This figure should be calculated excluding income from gaming machines. If this percentage exceeds 50% and the gross profit margin has been set at a realistic level then attention again needs to be paid to the control of staff costs.

Quarterly Returns to Area Office

3. There is a requirement that Branch Clubs make a financial return following the end of each quarter year to their Area Office. The purpose of the return is to enable Area Councils to meet their responsibilities regarding the supervision of the activities within the Area. The returns provide a very useful way of analysing trends and identifying problems at an early stage with the aim of providing constructive support to Branch Clubs facilitate by the Area Branch Support Officer.



Branch Club Annual Accounts

4. Branch Clubs are required to produce audited annual accounts that have to be approved by the members at the Club's Annual General Meeting. In accordance with Byelaw 25, an audit of the accounts is required where a Branch Club has annual gross turnover of £25,000 and over or such other amount as the Council may direct from time to time. A copy of the accounts is then included with the Branch Accounts when forwarded to the Area Office. The Branch Club annual accounts provide an important way of measuring the financial state of the Branch Club and should be carefully studied by the Committee. It can be helpful to have a historical analysis of the key figures from the accounts over recent years, as this should highlight adverse trends in, for example, turnover or expenditure. In particular special attention should be paid to gross margins and staff costs.
5. An example Branch Club Balance Sheet and Income and Expenditure Account is at Annex A.

Branch Club Treasurer

6. The general responsibilities of the Branch Club Treasurer are set out in the Standard Branch Regulations BR 10 (10). It is helpful if some of these responsibilities can be dealt with by an Assistant Treasurer.
7. Attention is drawn in particular to the paragraphs on the use of a Cash Book, on bank reconciliation statements, on the Balance Sheet, on the Income and Expenditure Account and on end of year adjustments and depreciation. The Branch Club Treasurer will, however need to maintain additional accounts analysing takings in the bar on each day of trading and the purchases, sales and value of bar stocks. The analysis of takings in the bar should be straightforward but it is important to cover all elements of takings: e.g. gaming machines, billiards and cigarette machine income should all be included as well as normal bar sales. The recording of stock movements, volumes and values, requires a detailed monthly analysis of stock purchases, sales and stock values and gross profit margin. Your stock taker will provide this. If the actual margin differs significantly from the planned margin this will require investigation to establish the reason for the variation.
8. Computerised accounting has increasingly become a practical and cost effective option for Branch Clubs. A number of software packages are now available to help both with the preparation of accounts and with financial management. Assistance in the selection of an appropriate accounting package can be obtained from the Finance team at HQ, email branchfinance@rafa.org.uk for further information and guidance.

Bank Accounts

9. Standard Club Rules require that a Branch Club bank account is maintained in the name of the Branch Club. There should be two signatories on cheques one of which will normally be the Treasurer. The Committee needs to decide on the authorised signatories and to require that monies are banked without delay. Under no circumstances should blank cheques be signed by either one or two signatories. When not in use cheque books should be locked away in a drawer or cabinet and the key kept safe at all times with restricted access.

Investments

10. Surplus Branch Club funds should not be left in a current account where over time they lose value in real terms. There are three possible courses of action regarding surplus funds as set out below. In any event guidance should be sought from the Area office in the first instance:
 1. Surplus funds should be placed on deposit. Interest on deposit accounts is liable to tax. To limit tax liability, the Committee could lend surplus monies, recoverable on demand, to the Branch. It should be noted, however, that any interest can only accrue to the Branch and cannot be returned to the Branch Club.
 2. Surplus funds may be loaned to the Branch. Any such loan from a Branch Club to Branch should be recorded in the Committee minutes and must be shown in both the Branch and Branch Club annual accounts.
 3. Surplus funds over and above the funds required to cover ordinary operating expenditure over a 24 months period and once options a and b have been considered, should be gifted to the Branch so that these surplus funds can be put to either charitable use or alternatively invested in the Association Branch Deposit Fund.

Fair Rent Scheme

11. Where a Branch Club uses premises owned by the Branch (held in trust by the Association) or the Association itself then the Branch or the Association is required to lease the premises to the Branch Club at a rental determined under the provisions of the Association's "Fair Rent" scheme. This scheme, which has been accepted by the Charity Commission, meets the requirement that the charitable property assets of the Branch provide an appropriate financial return when used for non-charitable purposes. Details of the scheme can be obtained from Area Office.



Fidelity Bonds

12. In order to protect the Branch Club from financial loss, the Committee should require either a cash deposit from or a fidelity bond insurance in respect of an appointed Steward. Where the fidelity bond is in the form of a cash deposit the monies should be placed in a separate, interest bearing bank account. The interest will be liable to income tax.
13. Fidelity bond insurance is an alternative measure to protect the Branch Club. The Association's brokers can provide competitive quotations for this. It should be noted that such insurance may be subject to specific conditions including obtaining and checking references for employees and establishing procedures for cash handling/checking and stocktaking and audit. Failure to meet the conditions could invalidate the insurance. The Committee should also consider extending the cover to include the Treasurer and/or other Members of the Committee with responsibilities as regards handling monies. Losses due to theft or fraud do occur but the temptation and opportunities can be reduced by an alert Committee which monitors the financial situation of the Branch Club closely and investigates swiftly any variations from normal income and expenditure and any unexplained changes in normal bar operation and practice.

Loans and Grants

14. Because the Branch Club is non-charitable neither the Association nor the Branch can loan or grant monies to the Branch Club. The Association has the power to loan or grant monies to the Branch in respect of the Branch premises but any such loan or grant would be restricted to essential repairs and alterations to the property to protect its value as a charitable asset or to comply with statutory requirements. If the Branch Club requires additional finance it will normally have to seek such finance either as a bank overdraft or a loan from a Brewer, if necessary using the lease as security. The Committee needs to give careful thought to any borrowing and be confident that the repayments can realistically be achieved. Where monies are borrowed from a Brewer the "small print" of the agreement should be examined very carefully as failure to meet certain conditions – for example quantity of beer ordered – can result in financial penalties. For avoidance of doubt, guidance around financial assistance should be sought from the Area office in the first instance who will in turn take it up with HQ.

Tax

15. Aspects of tax that will be of concern to Committees are:
 - a) Pay As You Earn (PAYE) Income Tax and National Insurance. Branch Clubs employing full or part-time staff are required to deduct income tax from staff wages and to pay National Insurance in respect of the staff. It is also necessary to keep records of payments to casual workers and to deduct tax in respect of those payments.
 - b) Tax on Branch Club Surplus and Income. Clubs have to pay Corporation Tax on their taxable income and chargeable gains, which are called "profits". HMRC may treat some clubs and unincorporated organisations with very small tax liabilities, (collectively known to HMRC as 'small clubs'), as dormant for Corporation Tax purposes.
 - a. To qualify, both of the following must apply:
 - i. your organisation's annual Corporation Tax liability must not be expected to exceed £100
 - ii. you run your club or organisation exclusively for the benefit of its members
 - b. If both these statements apply, HMRC will not send you a 'Notice to deliver a Company Tax Return' and will treat your organisation as dormant. They will review this at least every five years.
 - c. If a demand for such tax is received, it is recommended that Branch Clubs seek advice from their accountants or from their local Corporation Tax Office. (Please note: Corporation Tax Offices can only deal with enquiries relating to Corporation Tax).
 - c) Value Added Tax. Businesses with an annual turnover over a certain amount are required to register with HMRC for VAT. The qualifying amount is varied in each annual Budget. Branch Clubs should check with their local HMRC Office as to the current registration requirements. It is important that proper records and accounts of all inputs and outputs are maintained and that returns to HMRC are regularly submitted. The subject can be complicated and it is recommended that a Branch Club liable to VAT should seek advice either from its accountants or from the HMRC VAT Helpline 0845 010 9000.
 - d) Council Tax. Council tax will be due on any residential part of a Branch Club such as the Steward's flat. Depending on the contract with the Steward, it will normally be the responsibility of the Steward to pay this tax. In some cases, where the Branch club had previously paid the Domestic Rates for the accommodation, it may have been appropriate to enhance the Steward's salary to replace the benefit.
 - e) Honoraria. Under no circumstance should Branches or Branch Clubs pay an honorarium to any person providing services to them.



Uniform Business Rate

16. Non-residential property owned by Association Branches will be subject to Uniform Business Rate. The local authority will normally seek the Uniform Business Rate from the Branch as the owner of the property. Circumstances vary between local authorities but, because the Branch is charitable, the property could be given an 80% rate relief. Application may be made to the local authority for the additional 20% relief. The decision on whether or not to award rate relief lies with the local authority and may depend on the Authority's view as to the use of the premises for charitable purposes. If difficulties arise, the matter should be referred to Area Office for advice.



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