

## Early Years – BUSINESS RESOURCE TOOLKIT

### PETTY CASH

### WHAT IS IT AND HOW TO USE IT?

#### What is it, and what's it for?

'Petty Cash' is money kept in a business to meet small, everyday expenses that don't really justify the cost and complication of going through a formal process of placing orders, paying invoices, writing cheques etc. Just because it's less formal doesn't mean you can be casual about the way you operate your system, in fact, because it *is* literally "cash" kept on the premises, it can sometimes be **more** of a temptation for theft and fraud. So treat it seriously, have Rules - and make sure they're followed!

#### What should it not be used for?

Do not be tempted to use it for larger transactions (anything more than a few pounds), or anything where 'proof of payment' might be needed (e.g. money paid or refunded to parents, important bills and such-like). **Never, ever** use it for paying "cash in hand" wages (if the worker should have paid Tax and National Insurance on their earnings, but didn't, YOU could be made liable!).

***Don't ever mix it in with any other Cash received (e.g. money given to you by Parents for Fees) – it MUST be kept separate at all times, otherwise it's almost impossible to keep proper track.***

#### What do I need?

You will want the following resources to set up your system; you can get the items you need to buy from any good stationery shop:

- **A secure Strongbox/Money Tin** to hold the Float - with one key for each person authorised to have access, and one spare (to be kept off the premises, for security).
- **Somewhere safe and secure** to keep the strongbox when not in use.
- **A book or pad of Petty Cash Vouchers** (if you decide to print your own, an example is given).
- **A list of the Expenditure Categories** which your book-keeper uses to break down the organisation's spending on various purposes. These will vary from Setting to Setting, but could include things like 'Food & Drink', 'Travel Expenses', 'Stationery' etc.
- **A list of Authorised People allowed access to the Box** It is recommended that there is always more than one Authorised Person, to allow for holidays, absences etc. But **don't** make it 'open to all' as this is hard to control.
- **A nominated person whose specific role it is to control and balance the Float.** This needs to be someone based in the Setting (e.g. Manager/Supervisor/Administrator) – this responsibility *cannot* be satisfactorily met by (say) a Treasurer whose main 'day job' is elsewhere (though the Treasurer or Nursery Owner should carry-out periodic spot-checks to satisfy themselves proper procedures are being followed).

#### How much should we have as a 'Float'?

You will need to think what is the MOST Petty Cash you ever want to be holding at any one time. How much, realistically, will you expect to be paying out in cash in any one week, plus a small margin for emergencies? **Suggest somewhere between £25-£50 is ample for most Settings.** You do not have to work on a weekly basis if there are not many transactions, but if you only balance, say, monthly then you'll need more cash on hand, which increases the security risk.

### How does the Petty Cash Float System work, then?

Example: You start off on Monday with a Float of £30, your system is to balance it weekly and your usual day for going to the Bank is Friday.

- Each time someone wants to have a payment made from Petty Cash, they should **ask the Manager/Supervisor or other Authorised Person in the Setting.**
- **A Petty Cash Voucher is written-out**, specifying the Amount, Purpose, Expenditure Category and the Name of the person or organisation the money is for.
- The money is handed-over to the Staff Member or supplier claiming the expenses and they **sign the Voucher** to confirm they've received the cash, **AND** (if buying goods from a shop etc.) **the Shop Till Receipt is stapled to the back of the Voucher.**
- The signed Voucher is then **counter-signed** by the Authorised Person (e.g. the Manager/ Supervisor/ Administrator) and is kept in the Money Tin along with the rest of the money.
- If there is any **change** from the amount handed-over (e.g. say you were buying something at a shop and didn't know how much it would cost till you got there, so you took more cash than you needed 'just in case') the change goes back in the Money Tin.
- This continues through the week until Friday Morning, which is your time for **"Balancing the Float"**.

### Balancing the Float

Here comes the ingenious bit . . . If you started the week with £30 Cash and you've only ever given out money against a Petty Cash Voucher, then counting the total of Cash left in the tin, PLUS the total amount of this week's Vouchers, should still equal . . . yes, £30. Therefore your Float has **'balanced'**!

If it doesn't balance when you count the Cash and Vouchers you will have to look into why not, **right away**. Is your arithmetic OK? Did someone have money out and forget to raise a Voucher? Have you counted it correctly and not, say, mistaken a £5 note for a £10 note?

### Topping-up the Float

Example: Out of your original £30 you now have Cash £12.50 left, plus Vouchers totalling £17.50. You need to replace those Vouchers with real money, so as to bring the Cash element back up to the starting point again.

So you should now:

- **EITHER** (preferably) give those vouchers to your Owner/Treasurer, in exchange for either Cash or else a cheque for £17.50 made out to 'Petty Cash', which you cash at the Bank [**NOT** pay-in],
- **OR ELSE** reduce the amount of money from Fees etc. that you were going to pay into the Bank by £17.50 **this week**, put it into your tin - and later get a cheque from your Owner or Treasurer for this amount in exchange for the vouchers, which you will then pay-in to your Setting's Bank Account **next week**. [**DO NOT** use this cheque to take out the same amount of Cash again – you've already had that once, "borrowed" out of the Fees money, so you need to replace it with the Fee Income to keep the books straight! And **NEVER, EVER** use Fee Income money to buy things without passing it through the Petty Cash records like this first].

And that's how it works – at any time, the Float is ALWAYS £30 (or whatever figure you set), represented by a combination of Cash and signed Petty Cash Vouchers.

## Example of a Petty Cash Voucher

There are many ready-made vouchers you could buy, or you can design and print-off your own, two to a page of A4, but they should look something like this:

<b>Petty Cash Voucher</b>	
Paid to: .....	£ . p
For: .....	
Budget Expenditure Category: .....	
Received by: ..... ( <i>signature</i> )	Date: .....
Payment Approved by: .....	
( <i>Authorised signature</i> )	