

Policies, Procedures, Guidelines and Protocols

Document Details		
Title		Finance Procedure U2: Charitable Funds Accounting & Reporting
Trust Ref No		817
Local Ref (optional)		
Main points the document covers		Elements of charitable funds income & expenditure & the processes for reporting on them
Who is the document aimed at?		Finance staff, particularly those in Financial Accounting
Author		David Court, Head of Financial Accounting
Approval process		
Approved by (Committee/Director)		Director of Finance
Approval Date		29 th January 2025
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Full Equality Impact Assessment		No
Lead Director		Sarah Lloyd
Category		Finance
Sub-Category		Finance Procedures
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Distribution		
Who the policy will be distributed to		Distributed to senior finance staff as defined by directors
Method		Electronically to senior staff & available to all staff via the Trust website
Document Links		
Required by CQC		
Required by NHS Resolution		
Other		
Amendments History		
No	Date	Amendment
1	November 2012	Minor amendments to terminology
2	November 2015	Minor amendments to terminology Amend references to Resource & Performance Committee to say Charitable Funds Committee
3	December 2018	Senior Financial Accountant produces a quarterly summary for the Head of Financial Accounting (previously Monthly).
4	December 2021	1.1 removed fundraising activities and added grants.
5	January 2025	No Amendments

Shropshire Community Health NHS Trust

Finance Procedures

Section U Charitable Funds U2 Charitable Funds Accounting & Reporting

1 – Introduction

- 1.1 Day-to-day income (in the form of grants, donations and legacies,) and expenditure (mainly purchases generated from requests for requisitions, payable orders, and petty cash) are generally initiated by the fund holding departments across the Trust.
- 1.2 Other income (such as investment income and bank interest) together with other expenditure (such as bank charges, admin charges and audit fees) is dealt with by the Financial Accounting section of the Finance Department.

2 – Day-to-day income

- 2.1 These items are dealt with according to Finance Procedure U1: Charitable Funds Administration.

3 – Other income

- 3.1 Due to the relatively low level of balances held, the Trust's policy is that cash balances are held in an interest-bearing Government Banking Service (GBS) bank account. No cash balances are held in any other deposit or savings account. Interest earned on cash balances is apportioned quarterly pro-rata across all the funds by the Senior Financial Accountant. Should there be any investments held in the future, dividends received are also apportioned pro-rata between the funds, except where an investment relates specifically to a particular fund, in which case the full income is credited to that fund.
- 3.2 Further income is generated from the proceeds of the Shropshire NHS staff lottery. The Trust's share of the proceeds is credited into the General Charitable Fund.

4 – Day-to-day expenditure

- 4.1 These items are dealt with according to Finance Procedure U1: Charitable Funds Administration.
- 4.2 On the arrival of the Charitable Funds Expenditure Request form in the Finance Department, the Senior Financial Accountant checks that the expenditure is for a charitable purpose and that it is authorised in line with the Trust Scheme of Delegation. Unsatisfactory/incomplete requests are discussed with the originator.

4.3 Requests linked to Oracle requisitions

All Oracle charitable funds requisitions are automatically forwarded by the system to the Senior Financial Accountant for approval. This officer checks that there is a Charitable Funds Request form and that, if the requisition is for medical equipment, there is a request for Supplies to send a VAT exemption form to the supplier. If everything is satisfactory, they approve the requisition in Oracle. The white copy of the request form and a printed copy of the Oracle requisition (marked "approved" and the date) is passed to the Financial Accounting Assistant responsible for producing the monthly charitable funds reports (see Paragraph 9).

4.4 Requests for issue of a cheque

The white copy of the request form and any supporting documentation is passed to the Accounts Payable team to raise a cheque.

4.5 Requests for petty cash

The white copy of the request form is given to the appropriate Accounts Payable Assistant to await the petty cash reclaim, and the green copy is given to the Financial Accounting Assistant responsible for producing the monthly charitable funds reports (see Paragraph 9).

5 – Other expenditure

5.1 Bank charges and audit fees are charged to Charitable Funds, apportioned pro-rata between the funds by the Senior Financial Accountant (quarterly for bank charges and annually for the audit fees).

5.2 The cost to the Trust of administering Charitable Funds may also be charged. The Trust restricts this to Finance Department time only. Estimated figures are put into the reports monthly based on the previous year's actual figure. At the year end the actual figure is calculated by the Head of Financial Accounting based on estimates of time spent on Charitable Funds work. The estimated and actual figures are again apportioned pro-rata between the funds by the Senior Financial Accountant.

6 – Accounting in the ledger

6.1 All charitable funds entries in the general ledger have the entity "R1DC" at the start of the code. This forms a "self contained" set of accounts that balances to zero at the end of each accounting period.

6.2 The income & expenditure entries use the cost centre range from 99800 to 99899, income subjectives from 457000 to 457299 (including 457299 for balances brought forward) and 475000 to 475400, and expenditure subjectives from 795000 to 796500. Relevant balance sheet codes are used, again with the entity code "R1DC".

7 – Accounting: recharges

7.1 Because payments are automatically matched in Oracle, it cannot recognise a charitable funds payment separately in such a way that it can be paid (as required) from the charitable funds bank account. Exchequer payment runs will therefore include charitable funds payments i.e., the payment will come from the main Trust bank account. Oracle does however account for the payment correctly but, to avoid an imbalance between exchequer (R1DN) and charitable funds (R1DC) in the ledger, it makes 2 additional entries to the Charitable Funds Contra code (99960/128800) as below: -

Invoice registered	Dr	R1DC Expenditure
	Cr	R1DC Accounts payable control
Payment of invoice	Dr	R1DC Accounts payable control
	Cr	R1DN Trust bank account
	Dr	R1DN Charitable funds contra
	Cr	R1DC Charitable funds contra

- 7.2 The final stage is to ensure the payment really is made from the charitable funds bank account. This is achieved by the Senior Financial Accountant (at least quarterly) arranging for a transfer from the charitable funds to the Trust bank account, with both ledger entries to the Charitable Funds Contra code to clear the balances.
- 7.3 There are other instances where payments originate from exchequer e.g., charitable funds purchases from petty cash. Charitable Funds does not maintain its own petty cash float and funds are therefore disbursed by the appropriate petty cashier and charged to the Charitable Funds Contra code. For this and any other charitable funds recharge or payment made through exchequer, a recharge is arranged by the Senior Financial Accountant.

8 – Reclaim of Gift Aid

- 8.1 Any Gift Aid declarations received in the Finance Department must be passed to the Head of Financial Accounting who claims the tax back from HM Revenue and Customs. Gift Aid claims can be made at any time during the financial year using the HMRC on-line claim form R68.
- 8.2 Once the reclaim is received by direct payment into the charitable funds bank account, it is paid into the same charitable fund as the donation it related to.

9 – Monthly reporting & reconciliations

- 9.1 Monthly reports are produced for each individual local fund showing details of income, expenditure, and outstanding expenditure commitments. These reports are produced by the Senior Financial Accountant and the Financial Accounting Assistant dealing with charitable funds. The income and expenditure figures are taken from figures in Accounts Receivable, Accounts Payable and the General Ledger. The commitments figures are taken from those Charitable Funds Request forms for which payment has not yet been made.
- 9.2 These monthly reports are distributed to fund managers by the 11th working day of the following month. The Senior Financial Accountant also produces a quarterly summary for the Head of Financial Accounting.
- 9.3 It is not permitted for a charitable fund to become overdrawn. If during the production of the monthly reports, it becomes clear that one will if all commitments are paid, the Senior Financial Accountant discusses it with the fund manager to find out if a donation is expected to cover the commitments. If not, the expenditure is charged to exchequer.
- 9.4 Control accounts for each charitable fund as a total and for each balance sheet code are reconciled in line with the agreed timetable (see Finance Procedure W3: Control Account Reconciliations). Reconciliations are completed quarterly for the individual; funds and monthly for the balance sheet codes.

- 9.5 The cash book is produced monthly and reconciled to the bank account by the Financial Accounting Assistant. These are checked and approved by the Senior Financial Accountant.

10 – Quarterly reporting

- 10.1 The Senior Financial Accountant uses the monthly reports to provide figures and analysis for the Head of Financial Accounting, who in turn produces quarterly reports for the Trust' Charitable Funds Committee. The reports show movement of funds, and analysis of income and expenditure.

11 – Annual reporting

- 11.1 Once all receivables/payables have been set up, final adjustments made (e.g., the admin charges), the control accounts have been reconciled to the ledger, and the monthly/quarterly reports have been produced, the Senior Financial Accountant produces the charitable funds annual accounts for subsequent submission to the Charity Commission. These accounts must comply with the latest Charities Statement of Recommended Practice (the SORP). There is no prescribed layout from the Department of Health so, using the SORP, a layout has been agreed locally. Once completed, the accounts are reviewed by the Head of Financial Accounting.
- 11.2 The Head of Financial Accounting produces the charitable funds Annual Report, as well as an Annual Return which is also required by the Charity Commission.

References & associated documents

Charities SORP
Control accounts matrix

Reviewed By _____

Date _____

Authorised By _____

Date _____