Guidance

Managing charity finances

Find out how to make sure that your charity's money is safe, properly used and accounted for.

From: **The Charity Commission (/government/organisations/charity-commission)**

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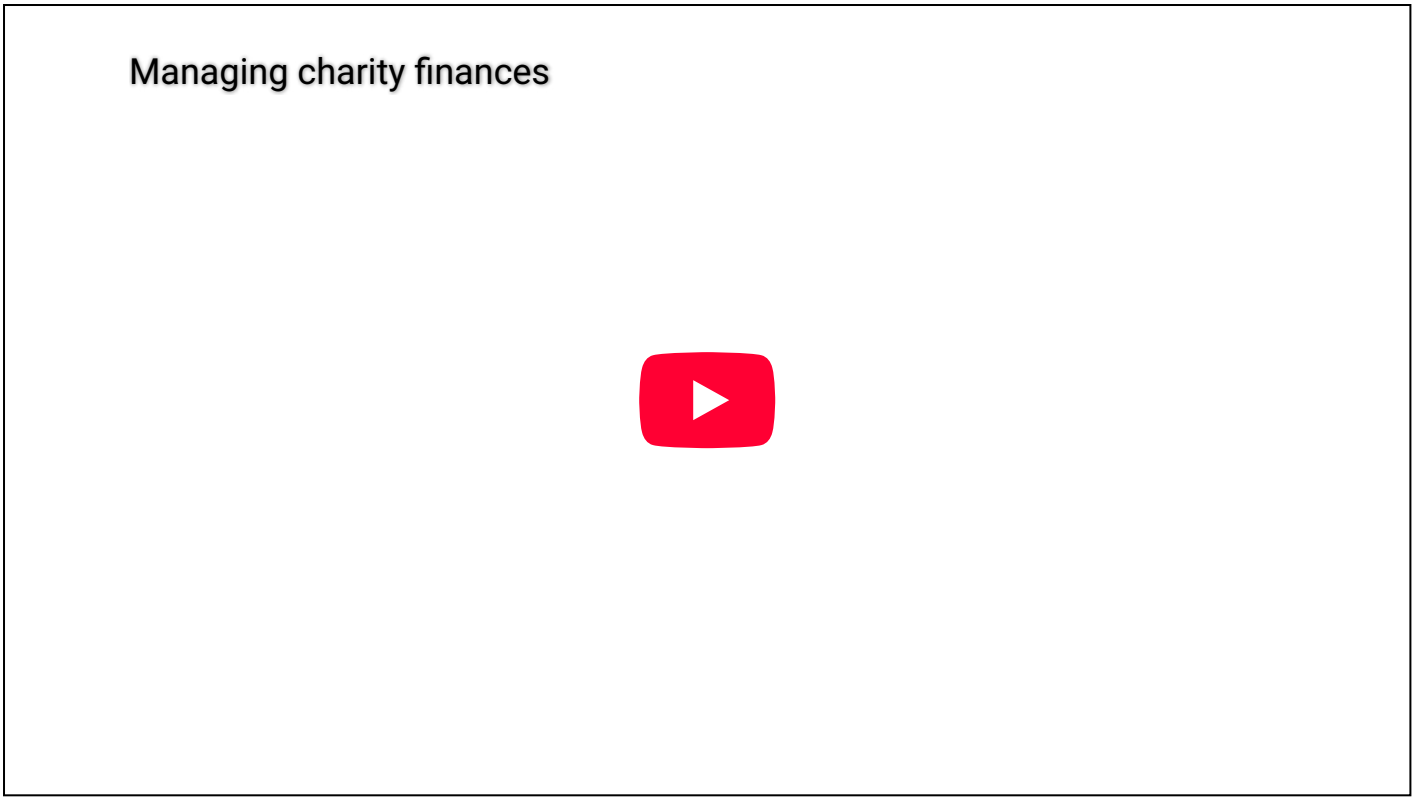
Applies to England and Wales

Guidance for Northern Ireland (https://www.charitycommissionni.org.uk/charity-essentials/running-your-charity-guidance/)

Guidance for Scotland (https://www.oscr.org.uk/guidance-and-forms/guidance-and-good-practice-for-charity-trustees/charity-finances/)

Contents

— Protect your charity's money
— Know your charity's financial position
— Keep accurate financial records
— Manage expenses and payments to trustees
— Deal with financial problems quickly



As a trustee you must take steps to make sure that your charity's money is safe, properly used and accounted for. Every trustee has to do this. Even if your charity has an expert to manage its finances, you are still responsible for overseeing your charity's money.

Protect your charity's money

Make sure that money is only spent on what is allowed by the charity's governing document and policies. If it is not, you and the other trustees need to put it right.

Use the Internal financial controls checklist (https://www.gov.uk/government/publications/internal-financial-controls-for-charities-cc8) to help you know you are doing this properly. This will help you make sure that money coming into the charity is:

- secure and recorded
- only spent on your charitable purposes
- at less risk of theft, fraud or cyber crime

Find out more about how to protect your charity from:

- fraud (https://www.gov.uk/government/publications/internal-financial-controls-for-charities-cc8/protect-your-charity-from-fraud)
- cyber crime (https://www.gov.uk/guidance/protect-your-charity-from-cyber-crime)

Managing risks you have identified

If you use the checklist it will help you spot the main risks to your charity's money and help you plan how to manage them effectively. Your charity should keep a list of the risks and how they are managed, reviewing it regularly to make sure it is up to date.

Make sure that your charity uses its annual report to say what it has done to prevent these financial and other risks. This helps to show your supporters and the Charity Commission what you are doing to protect your charity's money.

Know your charity's financial position

Set a budget and follow it

Your charity should have a budget. Check that it is being used. It helps make sure you have realistic plans based on how much money your charity:

- currently has
- plans to raise
- plans to spend each year

By checking how much your charity receives and spends against the budget, you can identify problems in good time and agree what to do about them. It's particularly important to do this where you see big differences between the budget plans and what is actually being spent.

The National Council for Voluntary Organisation's budgeting guide (https://knowhow.ncvo.org.uk/organisation/financial-management/planning-and-budgeting) explains charity budgeting and planning in more detail.

Get the funds you need

Your charity may get the funds it needs in different ways.

This can include:

- fundraising (https://www.gov.uk/government/publications/charities-and-fundraising-cc20/charities-and-fundraising)
- selling goods and services (https://www.gov.uk/government/publications/trustees-trading-and-tax-how-charities-may-lawfully-trade-cc35/trustees-trading-and-tax-how-charities-may-lawfully-trade#trading-by-charities)
- making investments (https://www.gov.uk/government/publications/charities-and-investment-matters-a-guide-for-trustees-cc14)

Make sure you know what the rules are for getting funds in these ways and that your charity complies with them.

If your charity does not spend all its income

Check that your charity has a reserves policy. This explains whether your charity is aiming to keep a reserve of unspent income, what it will be used for and why this is reasonable. Check that your charity sticks to the policy or can explain why if it does not.

Make sure that your charity's annual report explains the policy and says how much money (if any) it has kept in reserve, what it is for and when the charity will use it.

If you want more information, see our guidance on how to set a reserves policy (https://www.gov.uk/government/publications/charities-and-reserves-cc19/charities-and-reserves#annex-1-a-simple-approach-to-developing-a-reserves-policy).

Keep accurate financial records

Make sure that your charity keeps records to show all the money coming into your charity and the money it spends to help it meet its aims. You should check whether your charity's governing document has any specific rules on record keeping and follow them if it does.

Check that your charity has adequate records to show:

- details of money received and spent by the charity – for example bank statements and minutes of any meetings where significant decisions were taken
- the charity's assets and liabilities

These records are used to prepare the accounts which you should approve.

You must ensure that your charity keeps accounting records for at least 6 years.

Manage expenses and payments to trustees

All trustees can claim expenses. These are to cover out-of-pocket payments you have to make in order to carry out your duties, for example:

- travel to and from trustee meetings
- postage and telephone calls for charity work
- childcare or care of other dependants while attending meetings

Your charity should have a written policy setting out what is classed as an expense and how to claim and approve expenses.

Read guidance about paying expenses (https://www.gov.uk/guidance/trustee-expenses-what-charities-can-pay).

As a trustee you cannot receive any other payments or benefits from your charity unless the charity's governing document allows it, or you have a specific authority for it. Check the rules before you make any payments (https://www.gov.uk/government/publications/trustee-expenses-and-payments-cc11/trustee-expenses-and-payments#paying-trustees-for-services).

Deal with financial problems quickly

Ensure that you have enough money to settle bills as they fall due. Act quickly if there is a significant change in the amount of money coming into or going out from your charity.

If you think your charity may be facing insolvency, read our guidance (https://www.gov.uk/government/publications/managing-financial-difficulties-insolvency-in-charities-cc12/managing-financial-difficulties-insolvency-in-charities#dealing-with-potential-insolvency) for advice on what actions you should take.

Take any expert advice as early as possible. This will help you work out what action to take.

For example:

- develop alternative sources of funding or launch an emergency appeal
- borrow money from banks or stakeholders
- raise issues with any grant bodies you have received funds from
- reduce actual or planned spending
- review any charges your charity makes for facilities or services
- stop or delay doing some of your charity's activities
- merge with another charity
- close your charity

If there is a significant change in the charity's funds, you may need to report this as a serious incident to us (https://www.gov.uk/guidance/how-to-report-a-serious-incident-in-your-charity).

Tell the Charity Commission if your charity closes (https://www.gov.uk/guidance/how-to-close-a-charity) so it can be removed from the register of charities.

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