



Charity webinar series 2025

June 2025

Our team today



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Agenda

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- 2 In the news
- 3 Sector risks
 - Financial sustainability
 - Social change
 - Regulatory compliance
 - Governance
- 4 ICAEW Charity Conference
- 5 Financial Reporting
 - CGIP
 - Impact reporting
 - Company law changes
 - FRC thematic
 - SORP

Key learning outcomes

- ✓ To understand key sector risks facing charities
- ✓ To revisit hot topic areas including key messages from the ICAEW Charity Conference
- ✓ To understand new or emerging financial reporting requirements

GT Charity Conference



Grant Thornton Charity Conference 2025

📍 30 Finsbury Square, London, EC2A 1AG

📅 Monday 24 and Tuesday 25 March

🕒 10.00 am - 4.00 pm (UK)



In the news

Captain Tom Foundation

“repeated instances of misconduct and/or mismanagement by the family...”

“the public would understandably feel misled”

“Mr and Mrs Ingram-Moore... are disqualified from serving as charity trustees.”

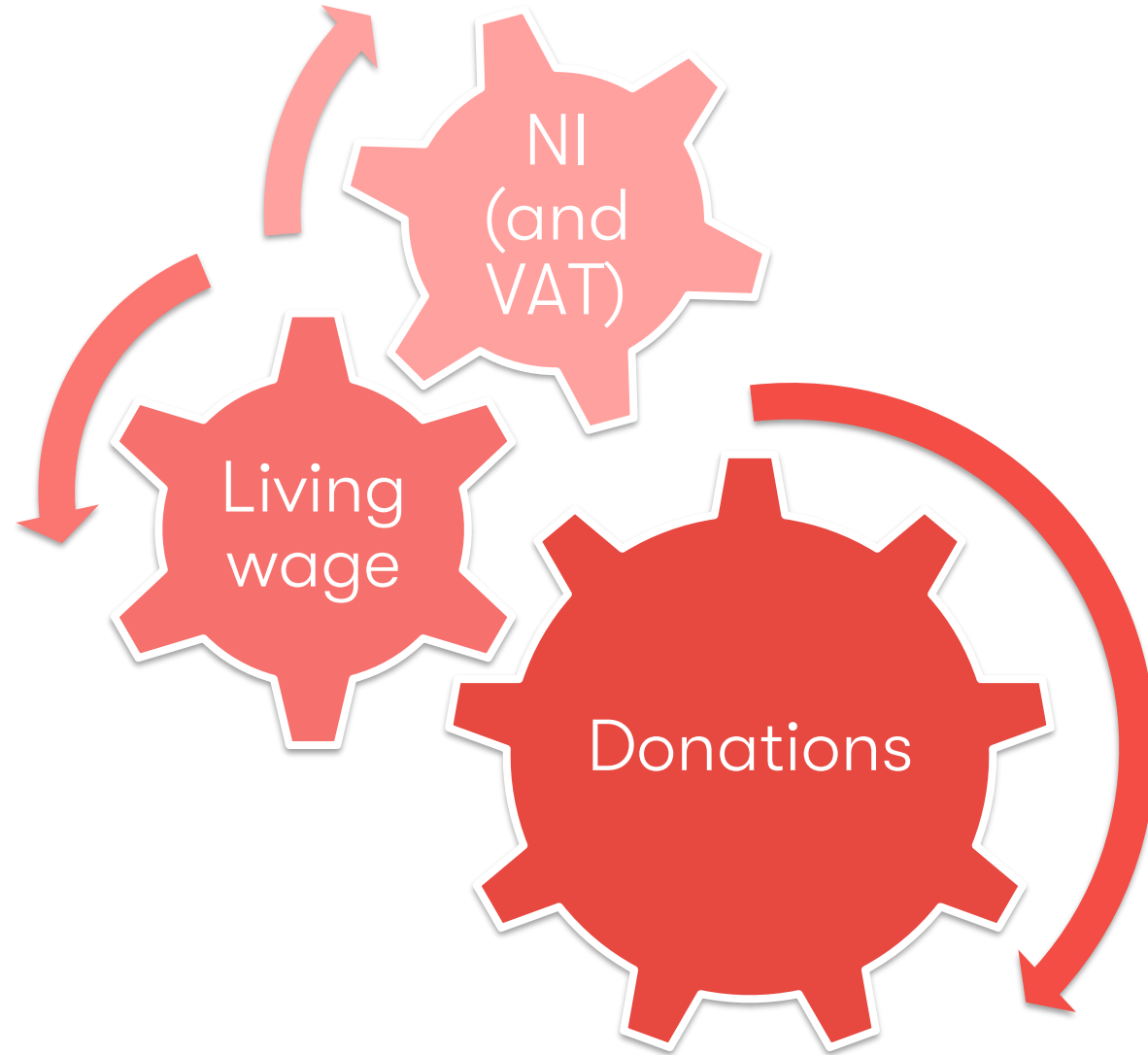


Charity banking

- Charity Commission letter, November 2023
- CFG banking report, November 2024:
 - 75% had difficulties changing mandates
 - 34% found challenges in proving identities of signatories
 - 12% had accounts frozen or closed
 - Problems when transacting with some countries

Sector risks

Financial sustainability



Labour Party pledges to partner with civil society in manifesto

Charity closes after trading subsidiary lost 'multimillion-pound' contract with council

Autism charity pulls out of contract after council reduces funding offer

Lisa Nandy announces plan to restore charities to 'centre of national life'

Homelessness accommodation and 19 jobs at risk as Edinburgh charity ends council contract

Christmas parody song blasting Keir Starmer over winter fuel cuts tops iTunes chart

Regulatory compliance

Audit

VAT

Companies
House

Digital
compliance

Regulatory compliance

Economic Crime and Corporate Transparency Act 2023

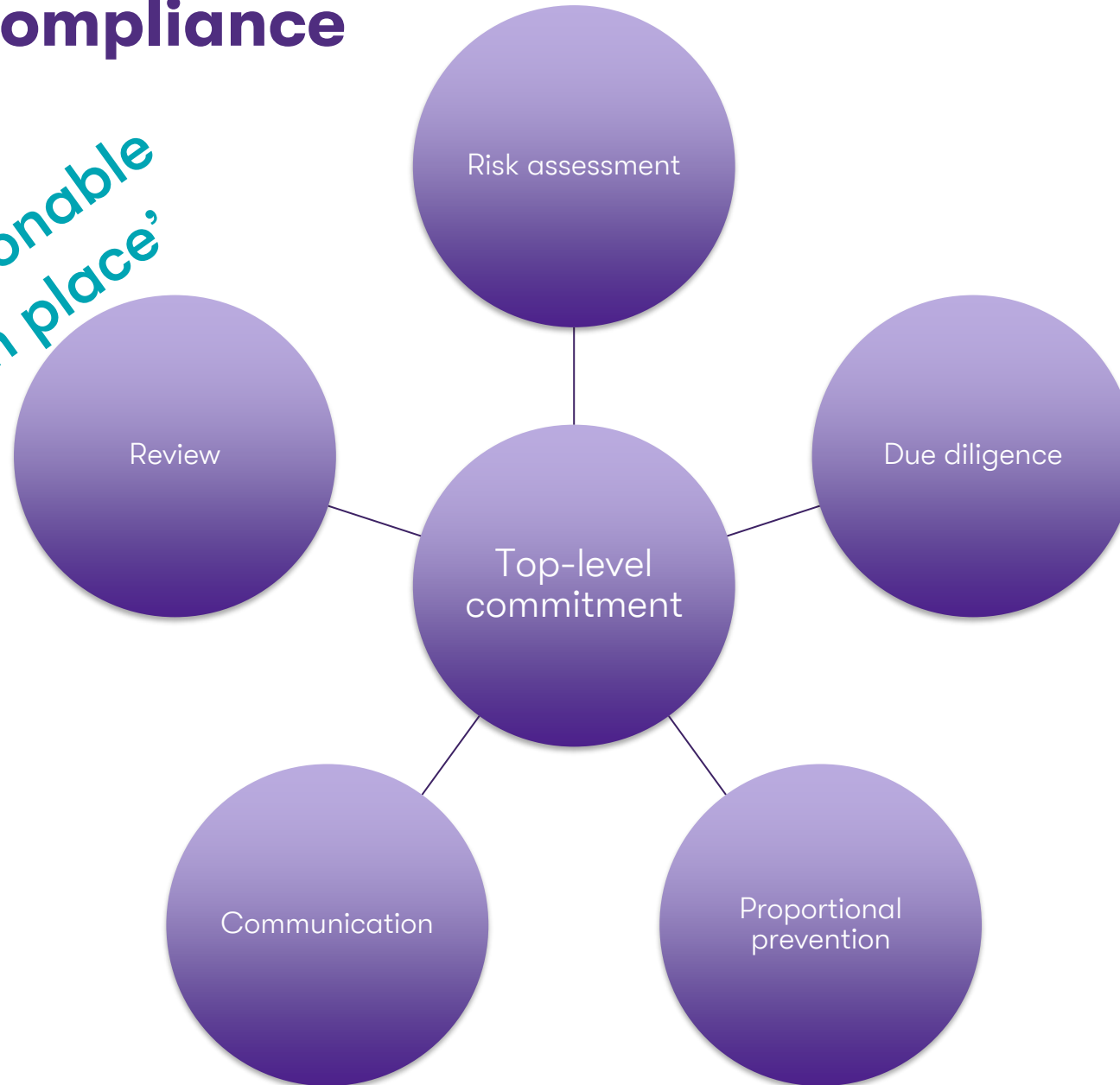
Offence of 'failure to prevent fraud' introduced by ECCTA - GOV.UK

An organisation will be criminally liable where:

- a specified fraud offence is committed by an employee, agent or other 'associated person', for the organisation's benefit
- the organisation did not have 'reasonable' fraud prevention procedures in place

Regulatory compliance

**DEFENCE: 'reasonable
procedures in place'**



Governance and trustees

Trustee recruitment “in crisis”

- Finding (and retaining) volunteers
- Diversity
- Skills

ICAEW Charity Conference

ICAEW Charity Conference 2025

Charity Commission opening address

- Focus on hospices and care
- CC guidance updates
- Trustees – detailed research to follow in 2025



ICAEW Charity Conference 2025

Community Benefit Societies – exempt status? Consultation results due 2025.

Potential Gift Aid changes (around subscription income) delayed due to change in government.

VAT – recoverability on share sales. With Supreme Court for consideration.

VAT – admission charges for the Great Yorkshire Show deemed to be part of the charitable activities of the Yorkshire Agricultural Society.

Financial Reporting

Charity Governance Investment Principles



Charity Investment Governance Principles Guide

- Helps charity leaders reflect Butler-Sloss
- Investment is an area of governance which charities report finding particularly challenging
- Focus on a charity's trustees and staff tackling internal governance before looking at the relationships with external professional providers

Impact reporting

CURRENT SORP:

1.44. In reviewing its achievements and performance, the charity should include a summary of the measures or indicators used to assess performance when it provides evidence of the achievements in the reporting period. Explaining the outputs achieved by particular activities can be helpful, particularly when numerical targets have been set. Examples of such targets include the number of beneficiaries to be reached by a particular programme, or the number of events or interventions planned as part of an activity. However, information on activities, outputs, and outcomes (or impacts) should always be put in the context of how they have contributed to the achievement of the charity's aims and objectives.

NEW DRAFT SORP:

1.31. The report must explain the impact the charity is making and must consider the long-term effect of its activities on individual beneficiaries and on society as a whole. The impact the charity has made is, arguably, the ultimate expression of its performance and charities are encouraged to demonstrate this in their report. In particular, the use of personal beneficiary or society-wide impact stories may be of value in communicating meaning.

FRC thematic

FRC publishes thematic reviews into offsetting in the financial statements and IFRS 17 Insurance Contracts

- Cash flows presented gross
- Offset only when there is a legally enforceable right
- Clarity where there has been netting
- Reimbursement asset

Company size thresholds

The Companies (Accounts and Reports) (Amendment and Transitional Provision) Regulations 2024

Effective 6 April 2025

		Micro		Small		Medium	
Turnover not more than	£632k	£1m	£10.2m	£15m	£36m	£54m	
Balance sheet not more than	£316k	£500k	£5.1m	£7.5m	£18m	£27m	
Average employees not more than	10	10	50	50	250	250	

***Large companies are therefore >£54m turnover, >£27m BS and >250 employees**

Company size thresholds

Consultation on financial thresholds in charity law - GOV.UK

Consultation closes 12 June 2025

Threshold for audit currently £1m – increase to £1.5m?

Directors' report changes

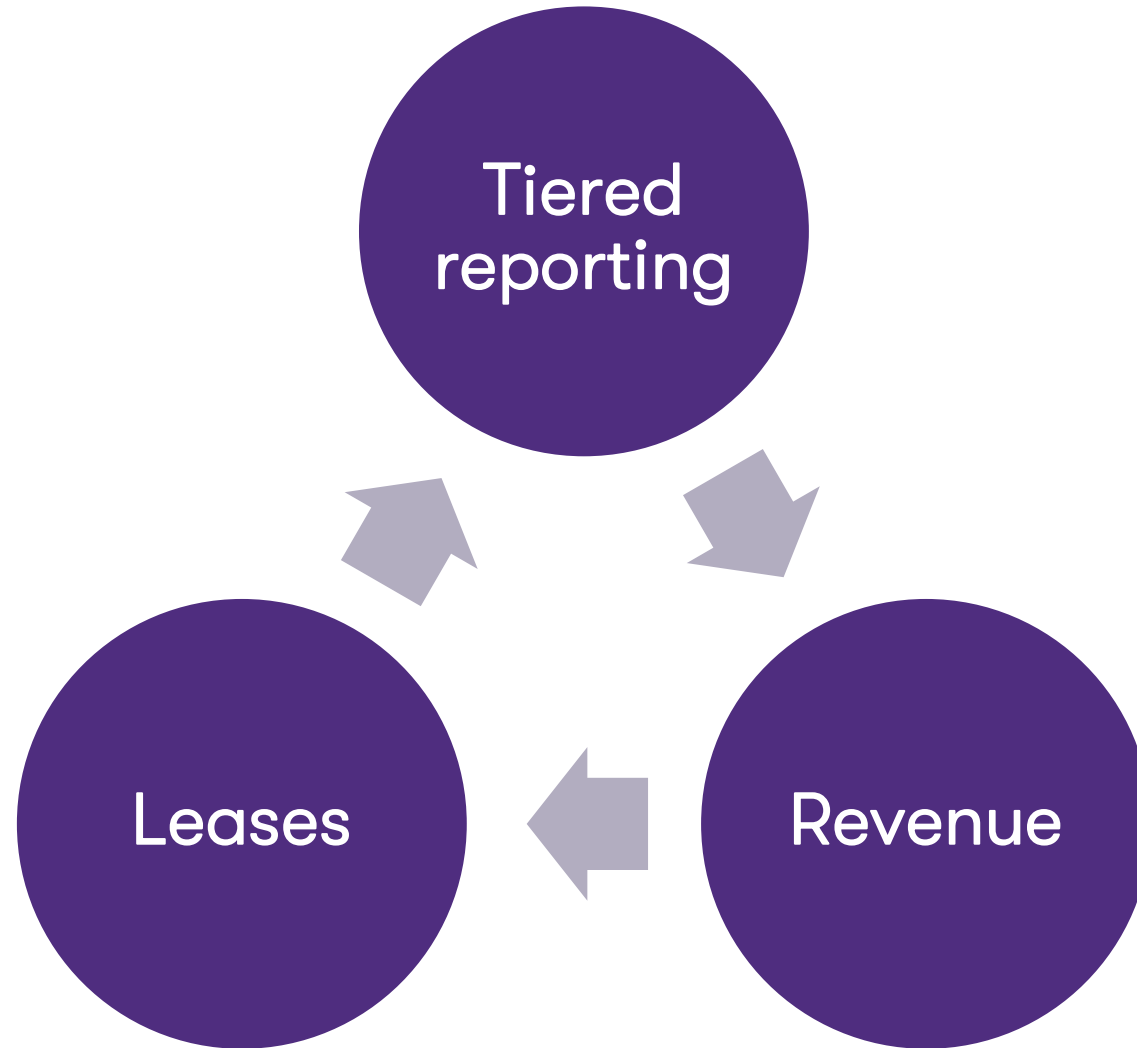
The Companies (Accounts and Reports) (Amendment and Transitional Provision) Regulations 2024

Effective 6 April 2025

Directors' report for large and medium companies no longer need to include information on:

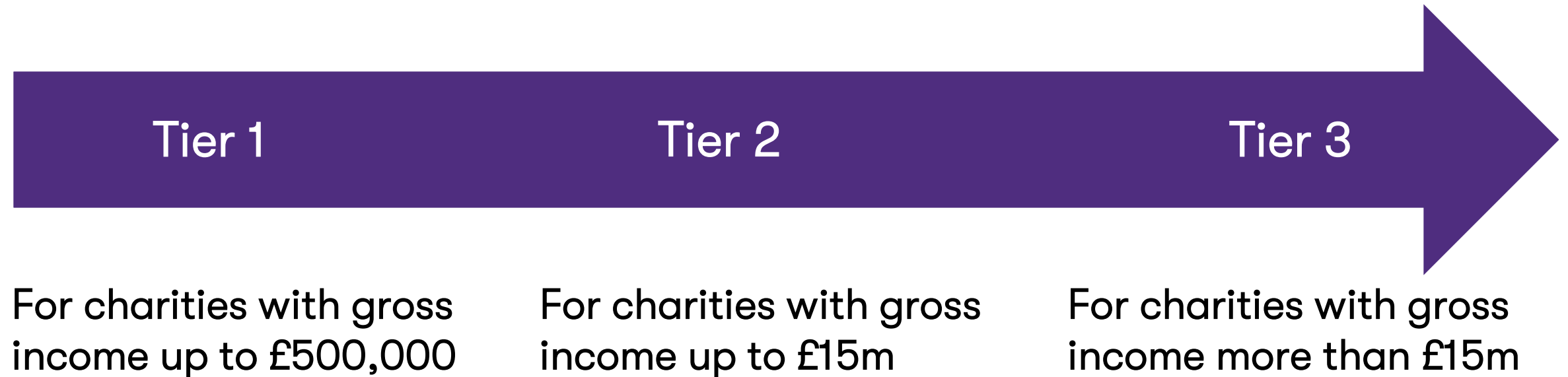
- financial instruments;
- important events that have occurred since the end of the financial year;
- likely future developments;
- research and development;
- branches outside the UK;
- the employment of disabled people (this requirement is also being removed for small entities);
- engagement with employees; and
- engagement with customers and suppliers.

SORP



3 tier reporting

In a move to make reporting proportionate between different sized charities, the SORP introduces 3 tiers. Each tier represents 'more' disclosures (so the largest charities must include more detail about their activities and actions).



“Natural classification”

Tier 2 and 3 charities must report the SOFA on the “activity basis”

Tier 1 charities can choose either the “activity basis” or the “natural basis” – the natural basis mainly affects the presentation of expenditure:

Expenses incurred on:
Raising funds
Charitable activities
Other
Total

Activity basis

Expenses incurred:
(e.g.) Salary-related costs
(e.g.) Premises-related costs
(e.g.) Grants made
(e.g.) Interest expense
(e.g.) Depreciation
(e.g.) Impairment charges
(e.g.) Other expenses
Total

Natural basis

Companies Act allows presentation of expenses by function (activity) or nature.

Revenue

The new 5 step model applies to exchange transactions **ONLY**

Exchange

Charity receives income in exchange for goods or services

Non-exchange

Charity receives income but there is no equal benefit

Revenue

The new 5 step model

STEP 1: identify the presence of a contract with a third party

STEP 2: identify the performance obligations in the contract

STEP 3: determine the transaction price

STEP 4: allocate the transaction price to the performance obligations

STEP 5: recognise income as/when a performance obligation is satisfied

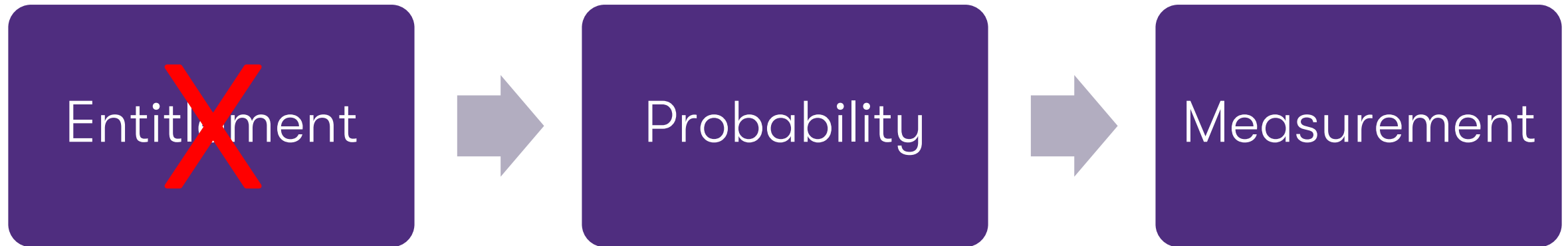
Revenue

The new 5 step model

- SORP offers additional detail and explanations
- Think about the 5 steps logically: is there a contract? What have we promised? What is the price of each promise? When is the promise completed?

Revenue

Legacies



Lease accounting

What is changing and what is not

- Alignment with IFRS 16
 - FRS 102 Section 20
 - Operating lease v finance lease
 - Exemptions
- Finance lease considerations



Lease accounting

Key judgements to be made

- Right of use valuation
- Lease cost
 - Present value of lease payments
 - Interest rate implicit within the lease
- Subsequent measurements



Statement of cashflows

What has changed?

Table 14.1A: Tiered reporting requirements for module 14

Tier 1 and tier 2	Charities within tier 1 and tier 2 are not required to provide a statement of cash flows where they meet the definition of a small entity, in accordance with paragraph 7.1B of FRS 102, however, they may choose to do so.
Tier 3	Charities within tier 3 must provide a statement of cash flows. Note, the exemption in paragraph 7.1B of FRS 102 is not available to tier 3 charities even in those cases where they meet the definition of a small entity in FRS 102.

Thank you



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