



Chartered Accountants
+ Registered Auditors

Chariot House

Charity Newsletter

Autumn/Winter 2025/2026

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Introduction

With the current challenges facing charities and their trustees and management as to how they fulfill their objectives going forward, we just want to remind you again that we are here to listen, support and help in any way we can.

There are various sections of this newsletter that may seem familiar – that is because quite a few of the points previously raised are still relevant and current, we have updated them and so we have left them in as a refresher / reminder.

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If there are any points that you find in this newsletter that you are unsure about and would like to discuss please do not hesitate to contact us.



Funding And Finance

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New fundraising code

The new fundraising code will be effective from 1 November 2025. The key changes are to be targeted at making the code more useful, more user friendly, keep pace with new technology, include signposting to other regulators where they overlap with the fundraising code, and generally being more flexible to encourage its use. There is a new section on fundraising where no actual person is involved in the process i.e. tap to donate, top-up etc. There is also increased wording on due diligence on donors, as well as better documentation of decisions and receipts. Once the code is implemented, fundraisers will have six months to adjust before being expected to comply.

<https://www.fundraisingregulator.org.uk/code/code-2025> Watch this space.

Deposit platforms – a partial answer to the bank red tape issue?

Given how hard it can be to switch accounts between providers, many charities are looking to cash deposit platforms that offer access to multiple banks and accounts through one simple application. There are a number of different options available, but those charities that we have seen adopting this have been pleased with the outcomes.



Laws And Regulation

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The Employment Rights Bill

This is expected to be implemented later in 2025. With some changes due on release, most will happen in 2026 and 2027. Some of the key proposals are;

1. 2025 – changes around industrial action. Dismissal for taking part will become automatically unfair. Notice of industrial action reduced from 14 days to 10. Unions only need a majority vote for action.
2. April 2026 – Paternity leave expected to be a 'day 1 right' allowing entitlement immediately in a new job. SSP will be paid from the first day of illness, not the fourth. Lower earnings limit for SSP will be removed. Sexual harassment will be a qualifying disclosure for whistleblowing.
3. October 2026 – dismissal and rehire on worst terms will automatically be unfair. Duty for employers to prevent harassment and make reasonable steps to prevent sexual harassment. More protection for those in a union, and union reps, as well as duty to inform workers of right to join a union.
4. 2027 – unfair dismissal is 'day 1 right' and no longer 2 years. Increased pregnancy and maternity rights. Bereavement leave is expected to be introduced and more protection for workers on zero-hour contracts. Employers will no longer be able to reject flexible working without good reason, and gender pay gap action plans are expected. Change to threshold triggering collective redundancy consultation.

It is worth noting that whilst this is the current timeline, it hasn't received royal assent yet and the dates could change. There are other more technical points being dealt with so it is well worth doing some of your own reading on this issue.

If you wish to discuss any of the points above further, please contact Kelly, our head of Payroll services.
kelly.henman@chariothouse.co.uk

Devolution and Community Empowerment bill

This was recently introduced into parliament. The main feature of the bill being the prohibition of use of upwards only rent reviews for commercial leases in England.

The ban applies to all business tenancies (whether contracted inside the landlord and tenant act 1954 or not). From the date it comes in to force (if no change to draft) any rent review provision in a new lease where rent can only increase, will be unenforceable.

Failure to prevent Fraud

On 1 September 2025 a new failure to prevent fraud offence comes into force. This offence will affect large, incorporated charities that meet at least two of the following criteria: more than 250 employees, £36m of income or £18m in total assets. Under the offence, an organisation may be criminally liable where an employee, agent, subsidiary, or other "associated person", commits a fraud intending to benefit the organisation (or its clients) and the organisation did not have reasonable fraud prevention procedures in place. It does not need to be demonstrated that directors or senior managers ordered or knew about the fraud.

Business rates support

The Government are considering reductions or incentives on business rates in order to support charities facing financial difficulties. This is following a discussion at a conference in July, which highlighted increasing demand, decreasing donations and increasing costs.



Fraud And IT

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BDO charity fraud report

The Charity Fraud report prepared in 2023 and 2024 by BDO has a number of interesting statistics to be aware of. The fraud report highlighted that of charities reporting fraud (some were more than one type)

- 43 % of charities reported a fraud or attempted fraud
- 84% of charities that experienced fraud suffered financial losses
- 42% of fraud is misappropriation of cash or assets
- 25% is supplier procurement
- 29% is misstated expenses or subsistence, travel etc
- 33% was through payment diversion i.e. bank account details
- 50% of frauds were perpetrated by a staff member, trustee or volunteer

67% of frauds were detected by the charity's own internal controls.

Fraud reimbursement scheme Small charities that have experienced fraud can reclaim lost funds through banks and other institutions. This scheme has recently been introduced and applies to charities with income of less than £1m. the scheme has been set up by the Payments Systems Regulator which gives authority to banks and other providers to reimburse victims of "authorized push payment" fraud which happens when you're tricked into sending money to a fraudster via bank transfer, to a total loss of up to £85,000.

APP fraud reimbursement protections |
Payment Systems Regulator

[APP fraud reimbursement protections |
Payment Systems Regulator](#)

Getting back to basics

You may need to continually review your financial procedures, authorisation protocols and management and protection of online data (if you haven't already!) and ensure that it is fit for purpose and that any potential weaknesses are addressed. Your last line of defence is staff training so that they are aware of systems that need to be followed, what can go wrong, what to be wary of and what to do if they are suspicious. Check out the website below.

[Home Page - Prevent Charity Fraud](#)



Tax, PAYE And VAT

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Employers NI and wages

You will almost certainly be aware of the impact of the employers NI changes with an increase in rates from 13.8% to 15% since April, a reduction in the secondary threshold from £5,000, and an increase in the national living wage to £12.21.

Employers NIC allowance – 2025/26

But mitigating some of the impact for 2025/26 the national insurance employment allowance has been increased to £10,500. This allows **eligible** employers to reduce the national insurance liability by up to £10,500 for the fiscal year. You can claim this if you are a business or charity and note that “charity” includes community amateur sports clubs. If you haven’t claimed before, and were eligible, you can claim for the previous 4 tax years but rules for each year can vary so get advice.

Currently, the claimant must have a secondary NIC liability of £100,000 or less in the prior tax year across all connected payroll schemes. That threshold that restricts the employment allowance to smaller employers will be **removed**.

CCLA VAT case – Charity Authorised Investment Funds fees

This VAT Tribunal case, considering the VAT status of fees charged by investment managers (CCLA in this case) on Charity Authorised Investment Funds (CAIFs), found that the fees should be exempt from VAT. To get maximum benefit, charities would need to approach their fund managers asap to ensure that they are charging the correct rate of VAT as there is a 4 year time limit for managers to make the VAT adjustments (unless they are CCLA or had claims ‘stood behind’ the CCLA appeal).

VAT treatment of income from charity fundraising events

HMRC has now released a new briefing note to update on the treatment of supplies made by charities. Charities may treat certain supplies of goods and services as VAT exempt if they are part of an event held to raise funds for charitable activities. Legislation states that the primary purpose of the event must be promoted primarily to raise money. The tribunal has now said that there can be more than one primary purpose, which will widen the scope of relief. HMRC have said that policy remains that the event must be advertised as a fundraising event, and if there is more than one primary purpose, there must be clear evidence of this.



Charity Commission Guidance

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Updated guidance on managing financial difficulties

We are finding an increasing level of financial issues hitting charities as funding sources dry up and demand for services increases. Many charities are having to re-assess their business models to enhance financial sustainability. Check out guidance issued by the Charity Commission on managing such difficulties – CC12 Improving your charity's finances.

Improving your charity's finances (CC12) - GOV.UK

We would add to this the old saying "fail to plan is to plan to fail". Don't ignore warning signs; take action at an early stage rather than let the situation continue to deteriorate and seek advice to ensure either the long term survival of the charity or alternatively another way to achieve its purposes.

Trustees meetings and decision making - CC27

During Covid, the Charity Commission operated a sympathetic view of the holding of virtual or hybrid meetings to ensure the continuation of governance oversight of a charity. However, most charities do not have included in their constitution the explicit power to hold such meetings.

From April 2022 the Charity Commission flexible approach came to an end and charities which wish to continue holding such meetings should ensure that the power to do so explicitly included in their constitution.

The updated guidance issued by the Charity Commission regarding trustee meetings also includes;

- Recommendations as to the minimum number of meetings
- The role of the chair
- Procedures to be followed at meetings
- How long minutes of meetings should be retained
- Recommendations regarding separate policy governing online meetings

Decision-making for charity trustees (CC27) - GOV.UK



Charity Accounting

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New charities SORP – year ends commencing 1/1/2026

The new Charity SORP (Statement of Recommended Practice) is set to be published in October 2025 and applies to financial years starting on or after January 1, 2026, introducing a new three-tier reporting framework based on income levels to provide proportionate requirements for charities of different sizes. At this stage the SORP has been out for consultation, so the changes noted below may, or may not be amended. In particular, respondents have not been keen on the limits set for each tier.

Key proposed changes include mandatory sustainability reporting for all tiers, expanded disclosure requirements for larger charities, a cash flow statement exemption for smaller charities. Updated accounting rules for leases and revenue recognition that impact charity balance sheets and income timing are a consequence of changes to FRS102 and are therefore not subject to change following the consultation.

Key Changes

Three-Tier Reporting:

The previous two-tier system is being replaced by three tiers for income:

- Tier 1: Up to £500,000 gross income.
- Tier 2: Above £500,000 up to £15 million.
- Tier 3: Above £15 million.

Sustainability Reporting:

All charities will now be required to report on how they are addressing environmental, economic, and operational sustainability.

Cash Flow Statement Exemption:

Charities falling into Tier 1 and Tier 2 will be exempt from including a cash flow statement in their accounts.

Impact of Financial Reporting Standard 102 (FRS 102) Updates:

The new SORP reflects changes to FRS 102, the underlying accounting standard, which will affect charities:

- **Lease Accounting:** Many more leases will appear on the balance sheet as assets and liabilities.
- **Revenue Recognition:** A new five-step model for recognising revenue from contracts will likely change how income is recorded, potentially affecting a charity's gross income and crossing the audit threshold.

If you would like guidance on how your charity will be affected by either of these points then please get in touch with us

– sarah.murphy@chariothouse.co.uk

When the New SORP Applies

- The new SORP comes into effect for financial years beginning on or after January 1, 2026.

This means that the first annual accounts prepared under the new rules will be for charities with a year-end of December 31, 2026.

What Charities Should Do Now

- Review Income: Assess how your charity earns income, grouping it into categories like donations, grants, and contracts, to understand how the new revenue recognition rules might affect you.
 - In particular review any grant documentation to assess if these are genuine grants and not contracts for services being provided
- Create a Contracts and Lease Database: Gather all current contracts and leases, noting any modifications, to prepare for balance sheet changes.
 - There are some exemptions for trivial or short-term leases, but you will need to ensure these are available for review by your auditors/accountants
- Update Trustees and Staff: Inform your trustees and finance teams about the upcoming changes.

In some cases, the changes to lease accounting may have a significant impact on your balance sheet and if so, you need to take action now if you wish to mitigate the impact.

Is your finance system ready for the SORP changes?

There are 7 key things your finance system must do

1. Advanced lease accounting
2. Sophisticated revenue recognition
3. Tiered annual report templates
4. Enhanced fund accounting
5. Impact, and volunteer reporting
6. Streamlined support cost allocation
7. Robust audit trail

CHANGES TO ACCOUNTS FILING at Companies House

From 1 April 2027, all annual accounts, including those for dormant Companies, must be filed using commercial software. Traditional filing methods, such as paper submissions and on the Companies House online portal, will no longer be accepted for accounts filings. However, these channels will remain available for other statutory filings.

Additionally, the joint filing service that allows Companies to file accounts with both Companies House and HMRC simultaneously and free of charge will be discontinued by March 2026, ahead of these changes.

These changes will impact all charitable Companies, as well as charities with subsidiary Companies. With the unique/non standard nature of most charity accounts this could be problematic. Whilst our internal systems have the capacity to submit electronically any accounts prepared on our system, there is currently no information from Companies House regarding accounts prepared by charities themselves.

A range of software options will become available from various providers in the future. We are assessing these options and we will be happy to offer support or guidance in choosing the right software for your charity should you need it.



Other Matters - Resources For Smaller Charities

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The Association of Chairs has published on its website a resource list for smaller charities which can assist them in finding low cost or pro-bono sources of advice and assistance. Although you should be aware that these are not “recommended” and that if you seek advice from the organisations listed, it remains your own responsibility to ensure that it is appropriate for your needs.

[Resource list for pro-bono and low-cost sources of support for smaller charities \(associationofchairs.org.uk\)](https://associationofchairs.org.uk)

Also on that website you can find resources specifically targeting chairs of charities although some require membership to be able to access them.

[Our Resources - Association of Chairs](#)



Audit Fees - Never Getting Any Lower

Charity audit threshold changes are being reviewed in the UK, with Scotland already increasing its threshold to £1 million in income for periods from 2026, and England and Wales proposing a similar increase from £1 million to £1.5 million in income, along with a potential rise in the asset threshold from £3.26 million to £5 million. There is currently no confirmed change, or expected date for implementation. It is worth considering if you are close to the current, or anticipated future limits.

What can you do?

So what can you do to help keep your costs to a minimum whilst still obtaining an effective and value added audit?

- **Be prepared** – if you are not sure what is required, and this is your first audit, then just ask.
- **Keep in touch** – most auditors will have no problem maintaining regular catch up meetings to ensure you know what is required and that information is flowing smoothly – ask for meetings to be set up on a regular basis
- **Make sure you are both clear about your timing and timetable** and stick to dates agreed to provide financial information, additional information requested and the trustee report

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- Think about your figures and whether **there are any estimates or difficult areas** where you have had to use assumptions – make sure you have your thinking on these areas documented for the auditor
- When the auditor requests information of explanation, think about **what will be the most effective way of providing this -make it easy and accessible**, and consider what the auditor is trying to achieve – if you are not sure, ask them if there is a layout or format that would help. Sometimes information provided as a pdf file is not very helpful, whereas an excel file that can be filtered and sorted will be.
- If you have updated your systems and procedures, or have new software, **document what these changes are** and have them ready to talk through with your auditor at an early stage
- Remember that **there will always be follow up questions** as audit teams seek further clarification even where the audit has gone well on the ground – **don't be surprised**, this is normal as internal review processes are followed
- And finally, **see below re going concern**. This is often one of the final concerns that is addressed to enable the final sign off, but it shouldn't be an afterthought from your point of view - **every audit will need to consider this and you can be prepared with relevant information** such as budgets and cashflow projections as well as up to date management accounts.



Other Matters - To Audit Or Not To Audit

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Increasingly as audit fees rise, we are being asked about the benefit/cost ratio of a full statutory audit where this has been either voluntary or requested only by one funder. Don't be surprised when we tell you that sometimes funders are not entirely clear as to the difference between a full statutory audit and an independent examination.

If funders have asked for an "audit" explain the cost implications and the alternatives. If you are not sure you can clearly explain this – ask us – we can supply a briefing note clarifying what an independent examination is and what procedures we follow. An independent examination, although less costly, is not an "easy" option with full procedures being carried out in line with the guidance of the Charity Commission to verify and validate the accounts, governance arrangements, financial sustainability and to some extent the systems underlying them. In addition the trustees or funder will always have the option to share any concerns with us and request a particular focus for our work just as they do when being audited.

So, our advice is that with the uplift in statutory audit fees in mind trustees should give serious consideration as to whether an audit is a statutory requirement or is done on a voluntary basis. Trustees must consider whether the additional cost is an effective and necessary application of the charity funds.

Do speak to us if you are in this position and wish to establish the level of assurance that is appropriate for your charity.



Other Matters - Going Concern

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Going Concern

A review of the going concern position of entities is a requirement which continues to be even more critical in the current uncertain economic environment. This requires more detailed review and discussion of future budgets and forecasts to consider the impact of post year end events on the financial position of entities, so try and be prepared when your auditor asks for this as it is often the critical factor that can delay the signing of the accounts.

Remember that your projections must extend to 12 months from the date of the signing of the audit report, so this may mean that you need to extend your review beyond the end of what is the current year.



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