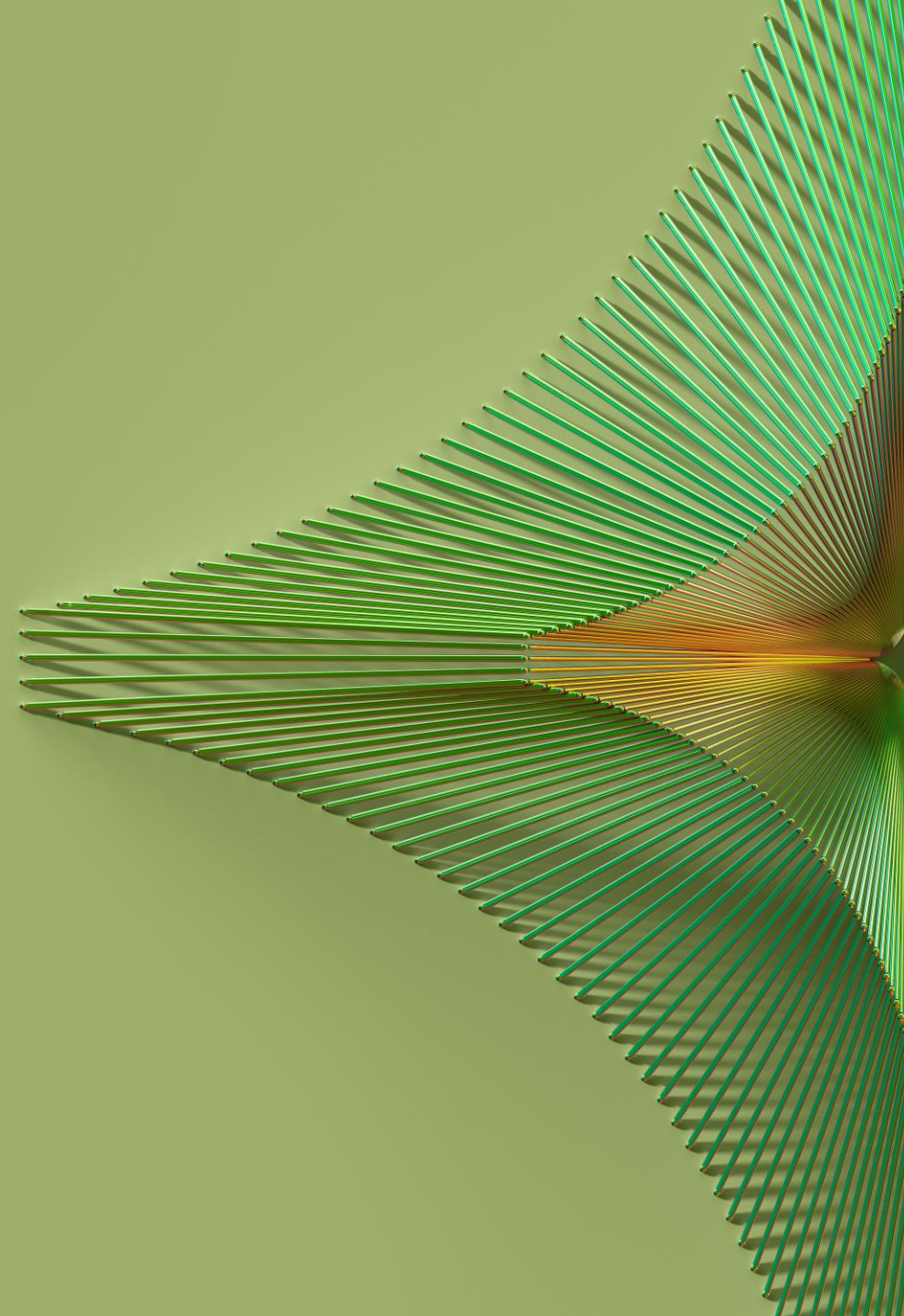
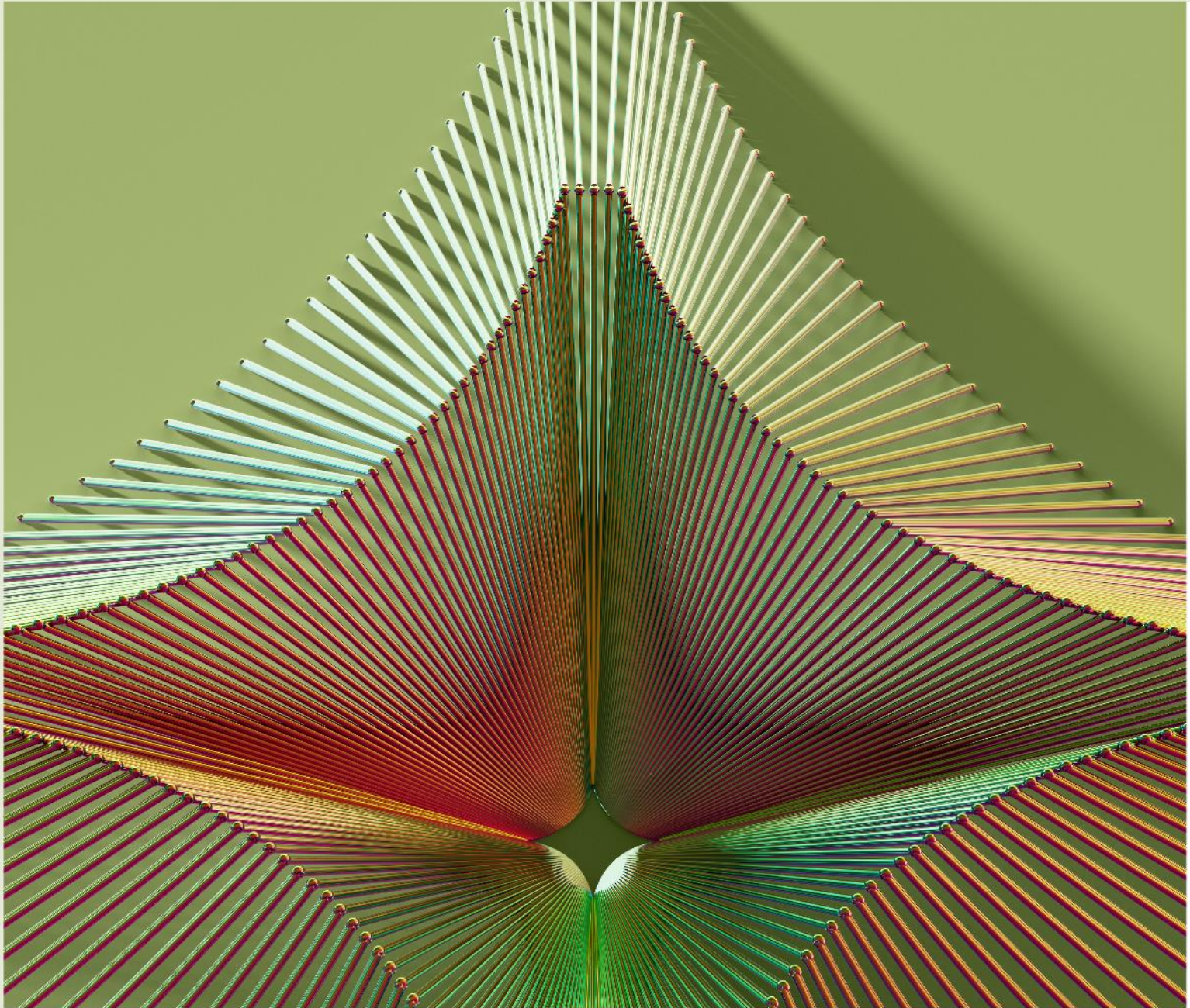


14 January 2025

Quarterly Charities Update

HaysMac⁺





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Speakers



Steve Harper

Partner

+44 20 7898 3567

sharper@haysmac.com



Jackson Berry

Senior Manager

+44 20 7151 4400

jberry@haysmac.com



Philip Watkins

Partner at FRP

+44 20 3005 4232

Philip.Watkins@frpadvisory.com



Nick Bustin

Director

+44 20 7969 5578

nbustin@haysmac.com

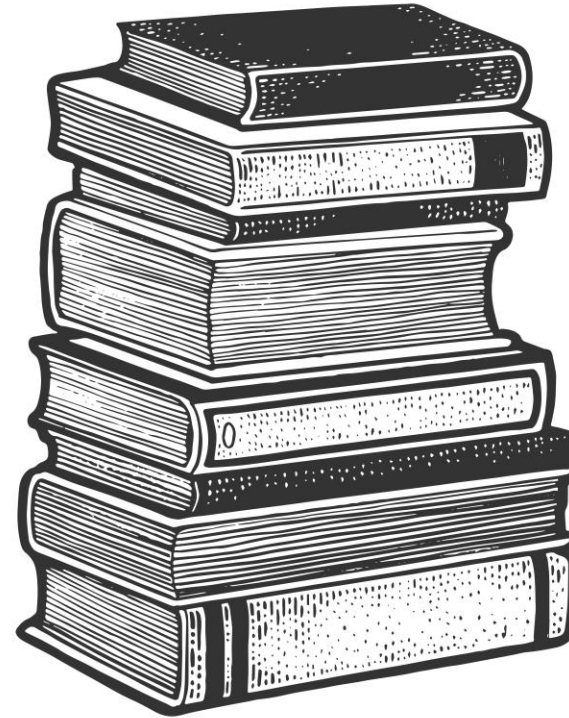
General charities update

01

A decorative graphic consisting of numerous thin, parallel green lines that fan out from the bottom right corner towards the top right, creating a sense of movement and depth.

Charities SORP FRS 102 (third edition) - update

- Effective from 1 January 2026
- Currently finalising the draft third edition of the SORP
- Will be subject to a 12-week public consultation, expected to go live in March 2025
- Final SORP expected to be published in October 2025
- Expected changes:
 - Lease accounting to bring operating leases on balance sheet
 - Revenue recognition update to adopt 5-step model for income from exchange contracts



Charities SORP FRS 102 (third edition) – how to prepare now

Leases

- Review current lease arrangements
- Establish whether current leases will qualify for any simplification (see section 20 of FRS 102)
- Identify which leases will need to be accounted for on balance sheet
- Consider what record keeping would be helpful to implement now to assist with future preparation of financial statements
- Consider whether bringing leases on balance sheet will impact borrowing covenants or audit thresholds

Charities SORP FRS 102 (third edition) – how to prepare now

Revenue recognition

- Review current contracts and income streams
- Identify both the amount and timing of income using the new 5 step model
- Consider what record keeping would be helpful to implement now to assist with future preparation of financial statement
- Consider implications on any borrowing covenants

Charity Fraud Awareness Week (25-29 November 2024)

Press release

Regulator refreshes guidance as it reveals 600 cases related to fraud in the last year

The Charity Commission has introduced updated guidance to assist charity trustees in safeguarding their organisations against fraud and cybercrime. This initiative was launched during Charity Fraud Awareness Week and includes two key documents:

1. Cyber Crime Protection for Charities – a [bespoke guide](#) offering advice on how trustees can protect their charity from cyber threats.
2. Fraud Prevention for Charities – a [shorter guide on fraud](#) aimed at helping trustees tackle fraud risks.

NCVO report – “can we bank on the banks?”

The NCVO’s recent report highlights the challenges charities and voluntary organisations face in accessing key services, which hinder their operations. Key issues include:

- **Updating Signatories:** Charities struggle with updating authorised signatories, especially when leadership or trustees change, leading to delays.
- **Setting Up Dual Signatories:** Establishing dual signatories for financial transactions is often complicated by bureaucratic barriers and unclear guidance from financial institutions.
- **Opening Accounts:** Charities face difficulties opening bank accounts due to complex requirements and challenges in meeting bank criteria, particularly for smaller organisations.

These challenges increase administrative costs and strain resources, limiting charities' ability to focus on their core missions. The report calls for reforms and better collaboration between charities, financial institutions, and regulatory bodies.

<https://www.ncvo.org.uk/news-and-insights/news-index/can-we-bank-on-the-banks-new-report-highlights-ongoing-challenges/>



Charity Commission Trustee Quiz

We previously reported that the Charity Commission has updated its [Trustee Quiz](#) to reflect new guidance issued in 2024, so don't forget to have a look. The quiz covers areas such as:

- **Fraud**
- **Decision making**
- **Emphasising the collective responsibility of the Board**

It is only ten questions long, so a very quick way for trustees to establish any areas they may want further information on. Each answer has links to useful guidance and relevant five-minute guides.



Consultations

“Understanding the risks non-profit organisations face from terrorist financing schemes” – Charity Commission is seeking to identify potential vulnerabilities, trends and threats in respect of the risk of terrorist financing abuse. Questionnaire is open to all Non-Profit Organisations (NPOs) regardless of charitable status, and wherever they operate in the UK.

<https://www.gov.uk/government/consultations/understanding-the-risks-non-profit-organisations-face-from-terrorist-financing-schemes>

The consultation closes at 11:59pm on 31 January 2025

Charity Inquiry: Captain Tom Foundation

Findings of the inquiry:

- Role the trustees played and how this changed over time, no written agreement for fundraising with commercial participator, inappropriate delegation to consultants and issues not raised at trustee meetings.
- Renumerated appearances in personal capacity by interim CEO.
- Interactions with related parties and conflicts of interest not declared.
- Unauthorised use of charity's name on building planning application.

Charity Inquiry: Quba Trust

Findings of the inquiry:

- Failure to comply with charity's governing document
- Financial management and controls were lacking
- Failure to evidence end use of charitable funds transferred overseas
- Poor record keeping and payments to trustee personal and connected company accounts
- Consultant appointed with no clear role and no supporting documentation, and no clear outcome of the work
- The conduct of the trustees and failure to cooperate with the Commission



Charity Inquiry: Quba Trust

Lessons for wider sector:

- Governance and trustees' responsibilities
- Trustees' accounting and financial duties
- Due diligence, monitoring, and verification



Duties of Trustees

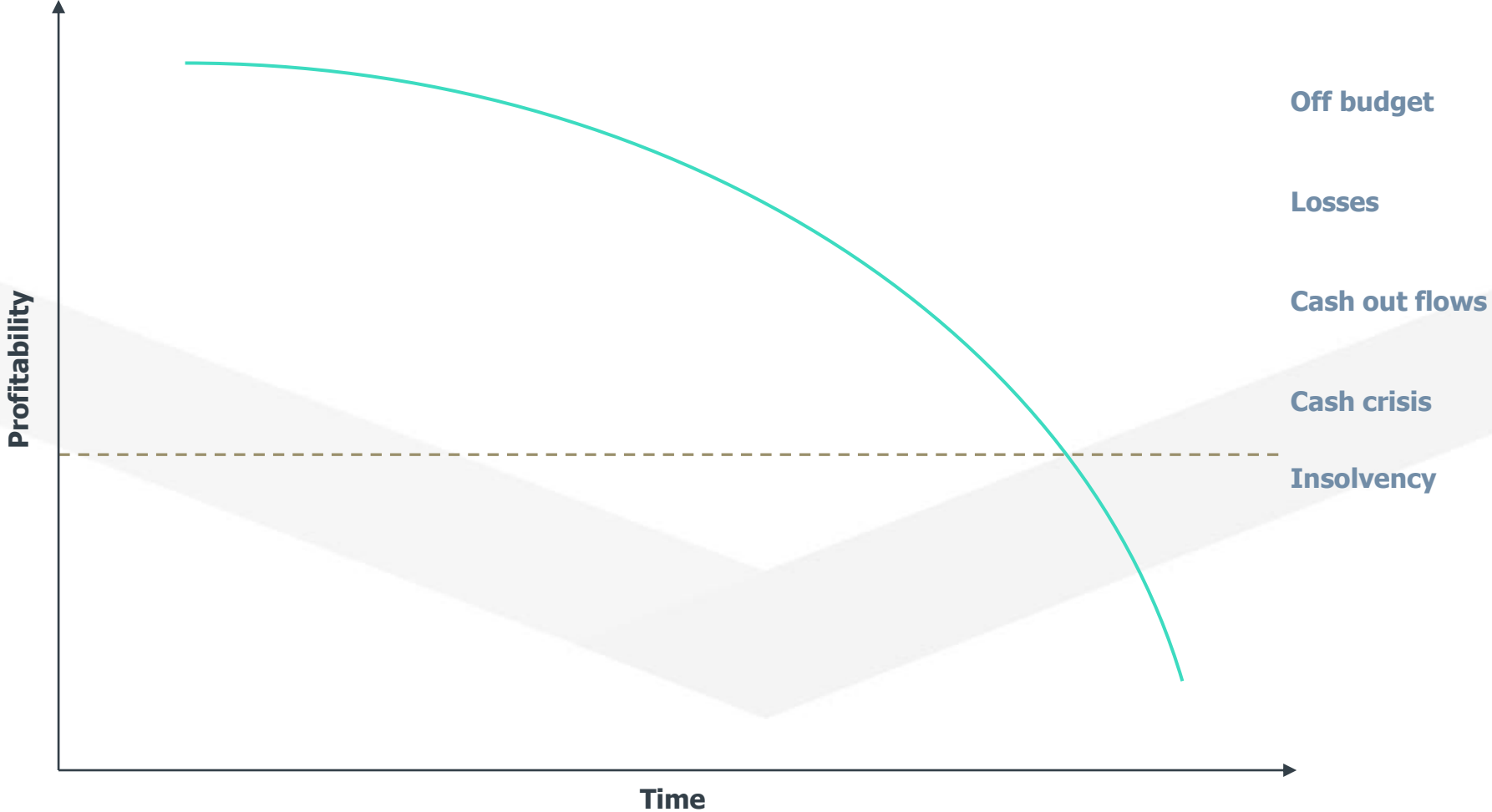
1. Ensure your charity is carrying out its purposes for the public benefit
2. Comply with your charity's governing document and the law
3. Act in your charity's best interests
4. Ensure your charity is accountable
5. Manage your charity's resources responsibly
6. Act with reasonable care and skill



<https://www.gov.uk/government/publications/the-essential-trustee-what-you-need-to-know-cc3/the-essential-trustee-what-you-need-to-know-what-you-need-to-do#trustees-duties-at-a-glance>

Any questions?

Introduction and the decline curve



Definitions

- › S123 Insolvency Act 1986:
 - **Balance sheet test:** liabilities greater than assets
 - **Cashflow test:** unable to pay debts as they fall due
- › In the event of insolvency, the directors have a primary **duty to act in the interests of creditors** which takes priority over the duties to act in the best interests of current and future beneficiaries.
- › This is also the case if a cash crisis or insolvency event forecast to occur.

Directors and Trustees must act reasonably:

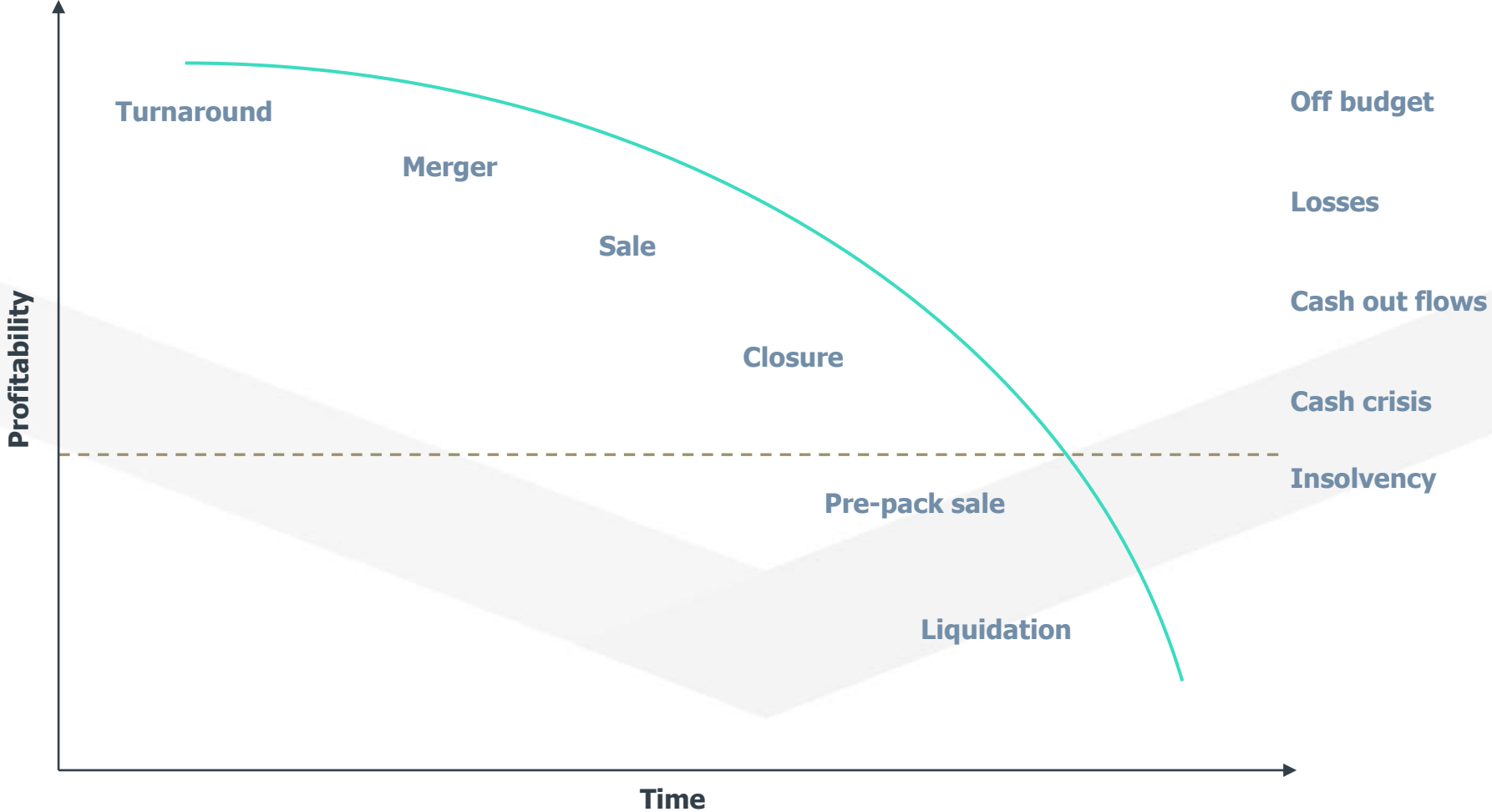
- › Make decisions based on **good information**
- › **Interrogate** the information
- › **Minute** decisions made
- › Meet more **frequently**
- › Take **professional advice**
- › **Protect and safeguard** the assets of the charity
- › Act in the **best interest of creditors**

Eliminate the risk of **personal liability** and **disqualification** from acting as director

Options



Decline curve





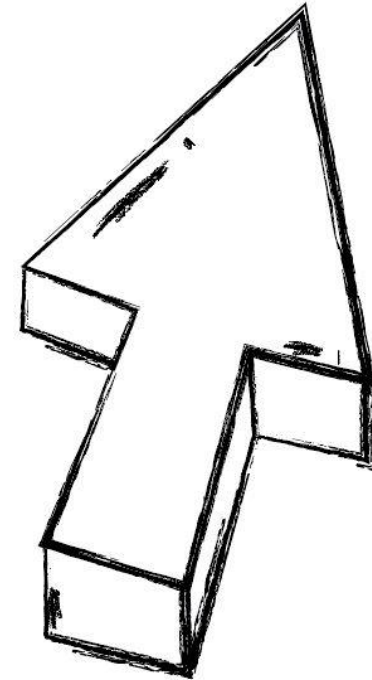
Any Questions?

Employment Taxes

03

National Insurance increases

- Increase in employer's National Insurance
 - 1.2% uplift in Class 1 employer's NIC effective from 6 April 2025
 - Reduction in the employer's NIC threshold from £9,100 to £5,000
 - Impact on the NIC uplift equates to approximately £900 per employee
 - Employment allowance increased from £5,000 to £10,500 available to all employers
- Class 1A NIC on benefits in kind
 - P11D reporting purposes the 15% rate will apply for the 2025/26 tax year and will be payable by 19/21 July 2026
 - Where benefits in kind are payrolled effective from April 2025
- Class 1B NIC – PAYE settlement agreement NIC
 - 15% rate will apply for the 2025/26 tax year
 - Payable by 19/21 October 2026



National Minimum Wage increases

Details	NMW Rate	Increase £	% Increase
National Living Wage (21+)	£12.21	£0.77	6.7
18–20-year-old rate	£10.00	£1.40	16.3
16–17-year-old rate	£7.55	£1.15	18.0
Apprentice rate	£7.55	£1.15	18.0
Accommodation offset	£10.66	£0.67	6.7

- Increases will be effective from 1 April 2025
- Alignment of the apprentice and 16–17-year-old rates

Pension salary exchange

- Ideal way to help mitigate the impact of the uplift in employer's NIC

Benefits for the employee

Savings in NIC

Mechanism for tax efficient pension savings

Obtaining immediate tax relief

Benefits for the employer

Switching from salary to employer funded pension contributions will reduce the employer's NIC bill by 15%

Opportunity to 'flex' the staff salary budget



What is the impact

- If employers do nothing, they will see their salary bill increase by more than 2% (a combination of the increase in the NIC rate and reduction in the NIC threshold)

Summary

50 employees (average salary of between £35K and £60K)

Impact on pension salary sacrifice

Impact

Annual increase in Class 1 employer's NIC of approximately £50K*

Reduction to the increase in employer's NIC by approximately £28K. Creating a saving of £22K

Payrolling of benefits in kind

- Mandatory payrolling of benefits in kind from 6 April 2026
- Draft legislation is due to be published in the Summer
- All benefits in kind will need to be payrolled except for loans and taxable living accommodation
- P11D reporting will continue for both benefits
- Further consultation is expected

Payrolling of benefits in kind

- Plan ahead owing to the number of stakeholders who need to be 'managed' including:
 - Benefit providers,
 - Payroll providers and
 - Staff communications



Any questions?

14 January 2025

Thank You

HaysMac[★]





10 Queen Street Place
London EC4 1AG

T 020 7969 5500

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