



Spring 2026

PIMBs Briefing

HaysMac[★]



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Welcome



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We are pleased to welcome you to the Spring 2026 edition of our Professional Institutes and Membership Bodies (PIMBs) briefing.

A focus of this edition is a significant accounting change on the horizon for membership organisations. Tom Brain, Partner, and I take a detailed look at revenue recognition under the revised FRS 102, effective for accounting periods beginning on or after 1 January 2026. Drawing on practical experience with professional institutes and membership bodies, we explain how the new five step model applies in practice, why membership income and joining fees require careful analysis, and what organisations should be doing now to prepare for this transition to avoid any surprises at implementation.

Nick Bustin, Director and Head of Employment Tax, examines the introduction of mandatory payrolling of benefits from April 2027, highlighting how the shift to real time reporting will require early planning, system readiness and close coordination between HR, payroll and finance teams.

Regulatory change also features in an update on Gift Aid and the Digital Markets, Competition and Consumers Act 2024. Jamie Whale, Senior Manager, explores how forthcoming changes to consumer protection rules, including mandatory cooling off periods for subscriptions, have caused concern across the sector, particularly for charitable membership bodies that rely on Gift Aid. He explains HMRC's interim position and the Government's recent confirmation that many charity membership subscriptions will be excluded from the new cooling off rules, while highlighting where some subscription models may still require careful review.

Risk and resilience are examined from a broader governance perspective in an article on business resilience and third party risk management. Rakesh Vaita, Director, Risk Assurance & Advisory Services, highlights how increased reliance on external suppliers has expanded organisations' risk profiles, particularly in relation to cyber security and operational continuity. He explains why third party risk should now be treated as a core governance issue and embedded within risk registers, business continuity planning and board oversight.

Finally, I explore the importance of belonging, values and organisational vision within membership organisations. These themes are vital to understanding the revised trustee reporting requirements, including the renewed emphasis on strategic, ethical and governance reporting, and consider how organisations can ensure that their narrative reporting genuinely reflects who they are, what they stand for, and how this informs both decision making and long term sustainability.

We hope this edition provides useful insight and practical guidance as you navigate the evolving regulatory and operational challenges facing membership organisations. If any of the topics resonate with your organisation, please do get in touch with the authors or your usual HaysMac contact.

Revenue recognition under FRS 102: what membership bodies need to know

Setting the scene

For accounting periods starting on or after 1 January 2026, membership bodies applying FRS 102, including charities, will need to adopt a new framework for revenue recognition.

The final version of the revised FRS 102 was published in September 2024, followed by the updated Charities SORP in October 2025. Together, these underpin a comprehensive rewrite of the revenue recognition section of the SORP (Module 5). Early adoption of the new requirements is permitted, but only on an “all or nothing” basis – organisations cannot cherry-pick individual changes.

While the changes arise from the Charities SORP, the underlying requirements are rooted in FRS 102 and will be relevant to many professional bodies, institutes and associations, whether charitable or not.

A key conceptual change is the move away from the familiar “entitlement, probability and measurement” criteria introduced in the 2019 SORP. Instead, the focus is now on when an organisation obtains control of income and on applying specific recognition criteria depending on the nature of the transaction.

Income is divided into two broad categories:

- ◆ Income from exchange transactions
- ◆ Income from non-exchange transactions

Understanding which category an income stream falls into is now the starting point for revenue recognition.



Exchange transactions and the five step model

Exchange transactions are now recognised using a five step model aligned with Section 23 of FRS 102, which is designed to match income more closely to what the organisation has actually delivered. This applies to most income streams common to membership bodies, including subscriptions, training courses, qualifications, events, sales of goods and joining fees.

The steps are:

1. Identify the contract with the customer
2. Identify the performance obligations within the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise income as, or when, the performance obligations are satisfied

Income is recognised either at a point in time, when control passes to the customer, or over time, where the customer simultaneously receives

and consumes the benefits as the organisation performs. Income that is recognised at a point in time would include fees for events or qualifications. Membership subscriptions will typically continue to be recognised over time, matching the member's consumption of the benefits.

Where a single contract includes several distinct performance obligations, these obligations will have to be "unbundled" and assessed separately for income recognition purposes, where previously they may have been treated as a single revenue stream. This will be one significant source of change for organisations that are applying the new requirements for the first time.

Joining fees and life memberships are another area where the new accounting requirements are likely to result in significant changes to the accounts. At present, these fees are generally recognised at a point in time, when they are receivable, because that satisfies the three existing recognition criteria.

Under the revised standards, the key question that will determine the appropriate accounting treatment concerns what the joining fee represents. If it is a nominal fee that is just intended to cover the administrative costs of registering a new member, the income will continue to be recognised at a point in time, because the performance obligation is satisfied as soon as the member has been registered. However, where the fee gives the member the right to join and to renew membership in future periods, which is likely to be the case for more substantial joining fees, this represents a performance obligation that is satisfied over time.

We illustrate the practical impact of these changes through the following worked examples.



Worked example 1: membership subscriptions

An organisation charges £600 for an annual membership. The benefits include access to technical resources, the right to use a professional designation and access to a technical helpline.

Step	Analysis	Outcome
Contract	Membership agreement	Single contract
Performance obligations	Membership benefits as a whole	Not distinct
Transaction price	Fixed fee	£600
Allocation	Not required	Single obligation
Recognition	Member receives benefits as provided	Over time

Where the membership year aligns with the financial year, the full £600 is recognised as income in the year. Where it does not, income is apportioned based on the period over which the benefits are delivered. In many cases, this mirrors existing practice, but the revised standard requires organisations to document the analysis rather than rely on convention.

Worked example 2: training courses and qualifications

An organisation charges £500 for a ten session training course with an examination at the end. The course can be purchased on its own for £450, while the exam can be taken separately for £100.

Performance obligation	Standalone price	Allocated revenue	Recognition
Training course (10 sessions)	£450	£409	Over time, as sessions delivered
Examination	£100	£91	Point in time, when exam is sat

This example illustrates two key changes under the revised standard:

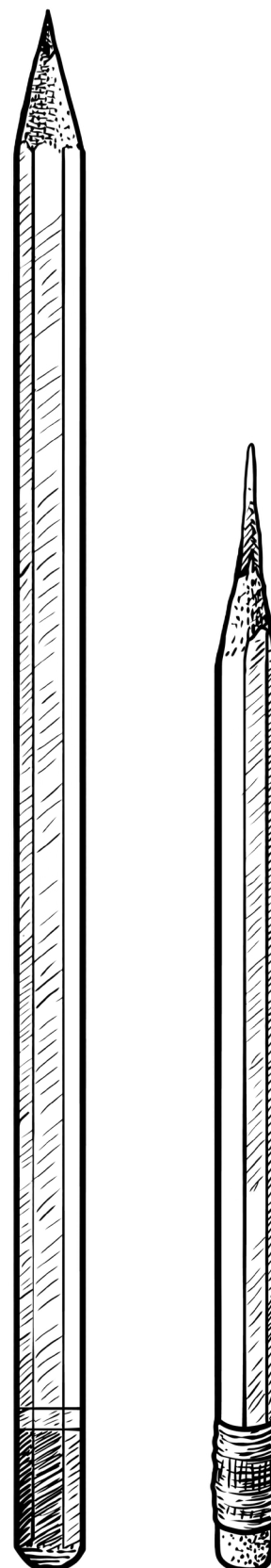
- ◆ Income may need to be unbundled where services are distinct
- ◆ Different components of the same contract may be recognised at different times

Worked example 3: joining fees

Assume a membership organisation charges a one off joining fee of £600, which would have been recognised in full as soon as the member joined under the previous standard.

If the average membership duration is 20 years, the £600 joining fee is recognised over that period, resulting in £30 of income per year, with the balance treated as deferred income. This can have a significant impact on reserves and reported surpluses, particularly for organisations with high volumes of new members or long membership lifespans.

Life memberships follow a similar logic, with income recognised over the expected period of membership rather than upfront.



Non exchange transactions

Non exchange transactions include donations, grants, legacies and donated goods, services or facilities. For many organisations, recognition of routine donations will be largely unchanged, with income recognised when it is receivable (or received) and can be measured reliably. However, entitlement is no longer treated as a separate test, having been replaced by the control of economic benefits.

Grants remain distinct from contracts. A grant is a non exchange transaction where the funder does not receive equal value in return, even where spending is restricted or subject to performance conditions. The new SORP gives some helpful clarification that routine administrative requirements, such as submitting a progress report, are not performance obligations and wouldn't prevent income recognition.

Transition and practical considerations

Both companies and charities can adopt the revised standard using either a full retrospective approach or a modified retrospective approach, with adjustments taken to opening reserves for incomplete contracts at the date of initial application. Neither approach affects cash flows; the impact is on timing of income recognition and reserves.

Under the full retrospective approach, comparative figures are restated as if the revised standard had always applied. This provides greater consistency and comparability but may require significant historic data, particularly where joining fees or life memberships are recognised over extended periods.

The modified retrospective approach avoids restating comparatives. Instead, the cumulative effect of applying the new requirements to incomplete contracts is recognised as an adjustment to opening reserves at the date of initial application. While often more practical, this can result in a noticeable one-off movement in reserves.

Regardless of the transition method, implementation will require careful planning. Boards and audit committees should expect increased focus on assumptions and estimates, particularly around expected membership durations and patterns of service delivery. Accounting policies will need to be expanded, and organisations should be prepared to provide clearer explanations of revenue recognition judgements in both the financial statements and the trustees' annual report.

Early review of income streams and contract terms will help manage the transition smoothly and ensure that the new requirements are applied in line with the underlying economic reality of their activities.

Accounting for joining fees where these fall to be recognised over time will present a particular challenge for organisations that may not have been in the habit of collecting data on the average lifespan of a membership. Organisations that are facing this situation will need to develop an estimate of the relevant period in order to determine the amounts of revenue that will need to be deferred when they first apply the new requirements.



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Mandatory payrolling of benefits – Preparing for April 2027

Introduction

The payrolling of benefits in kind has been an option available to employers for a number of years, allowing the taxable value of certain benefits to be taxed through payroll rather than reported after the end of the tax year on forms P11D. From April 2027, this optional regime will become mandatory for most benefits provided to employees. The change represents a significant shift in the way employers account for benefits, moving the process firmly into real-time payroll reporting and away from retrospective annual compliance.

The introduction of mandatory payrolling is intended to simplify the system for employees, reduce the need for in-year tax code adjustments, and improve the accuracy and timeliness of PAYE reporting. However, for employers, the change will require careful planning, system changes, and close coordination between HR, payroll, finance, and benefits providers. This article provides a practical overview of what is changing from April 2027, what actions employers will need to take, and the planning points to consider to ensure a smooth transition.

What will change from April 2027

From 6 April 2027, the majority of taxable benefits in kind provided to employees will need to be payrolled as standard. This means that, rather than reporting benefits after the end of the tax year on a P11D, employers will be required to include the taxable value of benefits in employees' payroll calculations during the year. Income tax will be collected in real time through PAYE, alongside salary and other earnings.

The two benefits which will be excluded from the mandatory payrolling of benefits are loans and taxable living accommodation. Where employers provide either of these benefits to their employees, then details will continue to be reported to HMRC, post-tax year end on a form P11D. Alternatively, the employer can register to operate the payrolling of either benefit on a voluntary basis. Where this is the case, the employer must register their intention with HMRC before the beginning of the tax year.

Although HMRC has confirmed that certain benefits may remain outside the mandatory regime initially, the overall direction of travel is clear: payrolling will become the default method of reporting benefits. As a result, the traditional P11D process will be significantly reduced, with P11Ds expected to be required only in limited circumstances. Employers will also need to ensure that Class 1A National Insurance Contributions (NIC) continue to be calculated and paid correctly, even where the benefit itself is taxed through payroll.

For employees, the practical impact should be greater transparency and fewer surprises. The tax due on the taxable benefits provided will be spread across the year, rather than collected via an amended tax code or a post-year-end adjustment. For employers, however, the requirement to payroll benefits will increase the importance of accurate, timely data and robust payroll processes.

Reviewing payroll processes and systems

Employers will need to assess whether their payroll systems are capable of processing all relevant benefits in kind on a payrolled basis. This includes ensuring that benefits can be assigned to individual employees, valued correctly, and taxed at the appropriate time. Where payroll is outsourced, this review should be carried out in conjunction with the payroll bureau to confirm system readiness and identify any configuration changes required ahead of April 2027.

It will also be important to understand how benefits data will flow into payroll. For some benefits, values may change during the year, for example where an employee joins or leaves a benefit scheme part way through the year. Employers will need processes that allow these changes to be reflected accurately and promptly in payroll calculations.

Communicating with employees

Clear communication with employees will be a critical element of the transition to mandatory payrolling. Many employees will be accustomed to benefits being reported on a P11D and do not understand why their net pay changes once benefits are taxed through payroll. Employers should plan communications explaining what payrolling is, why it is being introduced, and how it will affect payslips and take-home pay.

Communications should be timed carefully, with initial awareness raised well ahead of April 2027 and follow-up messaging closer to implementation. Employers may also wish to provide FAQs to help employees understand the practical impact. This is particularly important where benefits are significant, as the visible reduction in net pay could otherwise lead to confusion or dissatisfaction.

Working with payroll bureaus

For employers that outsource payroll, early engagement with the payroll bureau will be essential. Employers should confirm which benefits the bureau can payroll, what information is required, and when it must be provided. Service level agreements may need to be updated to reflect the increased volume and complexity of benefits data being processed through payroll.

Employers should also clarify responsibilities for calculating taxable values and how any changes in either the benefits provided are dealt with for new joiners and leavers. Establishing clear ownership between the employer and the payroll provider will help avoid errors and missed deadlines once mandatory payrolling comes into force.



Liaising with benefits providers

Benefits providers will play a key role in the success of mandatory payrolling. Employers should review the data currently received from providers and assess whether it is sufficient for payroll purposes. In many cases, additional data fields or more frequent reporting may be required to support in-year taxation.

Ensuring that benefits data aligns with payroll cut-off dates will be particularly important to avoid delays or the need for retrospective adjustments.

Planning points to meet the April 2027 deadline

Although April 2027 may appear some way off, employers should begin planning well in advance to avoid a last-minute rush. A key first step is to identify all benefits currently provided to UK employees and confirm how they are taxed and reported.

Employers should also establish a project plan and undertake system testing, data validation, and employee communications. Furthermore, employers should ensure that there is clear accountability for benefits reporting, with defined roles across HR, payroll, and finance. Regular progress reviews will help ensure that issues are identified early and addressed in good time.

Finally, employers should keep abreast of further HMRC guidance as it is issued. Staying informed and flexible will help employers adapt their plans and remain compliant as April 2027 approaches.



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Gift Aid and Digital Markets, Competition and Consumers Act (DMCCA) 2024

The Digital Markets, Competition and Consumers Act (DMCCA) 2024 became law in May 2024. Amongst other objectives, the Act simplified the management of subscriptions for consumers and increased consumer rights in other ways. However, proposed upcoming changes to the DMCCA will introduce a mandatory 14-day “cooling-off period” for all subscription contracts. This has caused concern across the charity sector, **including charitable membership bodies that are able to claim Gift Aid on membership fees.**

The changes are expected to come into force in Spring 2027, but charities sought clarity on the impact the changes may have on the availability of Gift Aid on membership subscriptions.

The concern relates to a condition included in the existing Gift Aid legislation, stating that, to qualify for Gift Aid, a payment cannot be “subject to any repayment condition”.

With DMCCA 2024 soon to be mandating that any membership subscription must include a 14-day cooling off period, it appeared that the payment would be “subject to repayment”, which under current tax legislation would make it ineligible for Gift Aid.

Government responses

HMRC initially updated their Gift Aid guidance to state an “interim position”. HMRC’s view is that refunds in respect of the DMCCA 2024 are an operation of consumer law and not a “condition as to repayment” for Gift Aid purposes.

Furthermore, in early April 2026 the Government published a response to the consultation on the changes to DMCCA 2024. In this they confirmed that they intend to exclude charity membership subscriptions from the proposed new regulations. This significantly reduces the risk to charities on claiming Gift Aid on membership payments and protects established charity fundraising models.

The exclusion applies to any contracts that allow the member to attend performances or visit exhibitions, properties or other places where this access is related to the charity’s purposes. It is possible that some forms of charity subscription and trading activity may still be within the scope of DMCCA: Memberships that are not linked to access still need to be reviewed to determine whether they fall within the scope of DMCCA rules.

Potential threat to membership subscription model

The cooling-off period included in DMCCA also caused concern for some charities who operate a membership subscription model. These charities have suggested that the rules create a loophole where an individual could enter a charity’s membership scheme, enjoy the benefits of this scheme for the two-week period, then cancel the scheme and claim a full or partial refund.

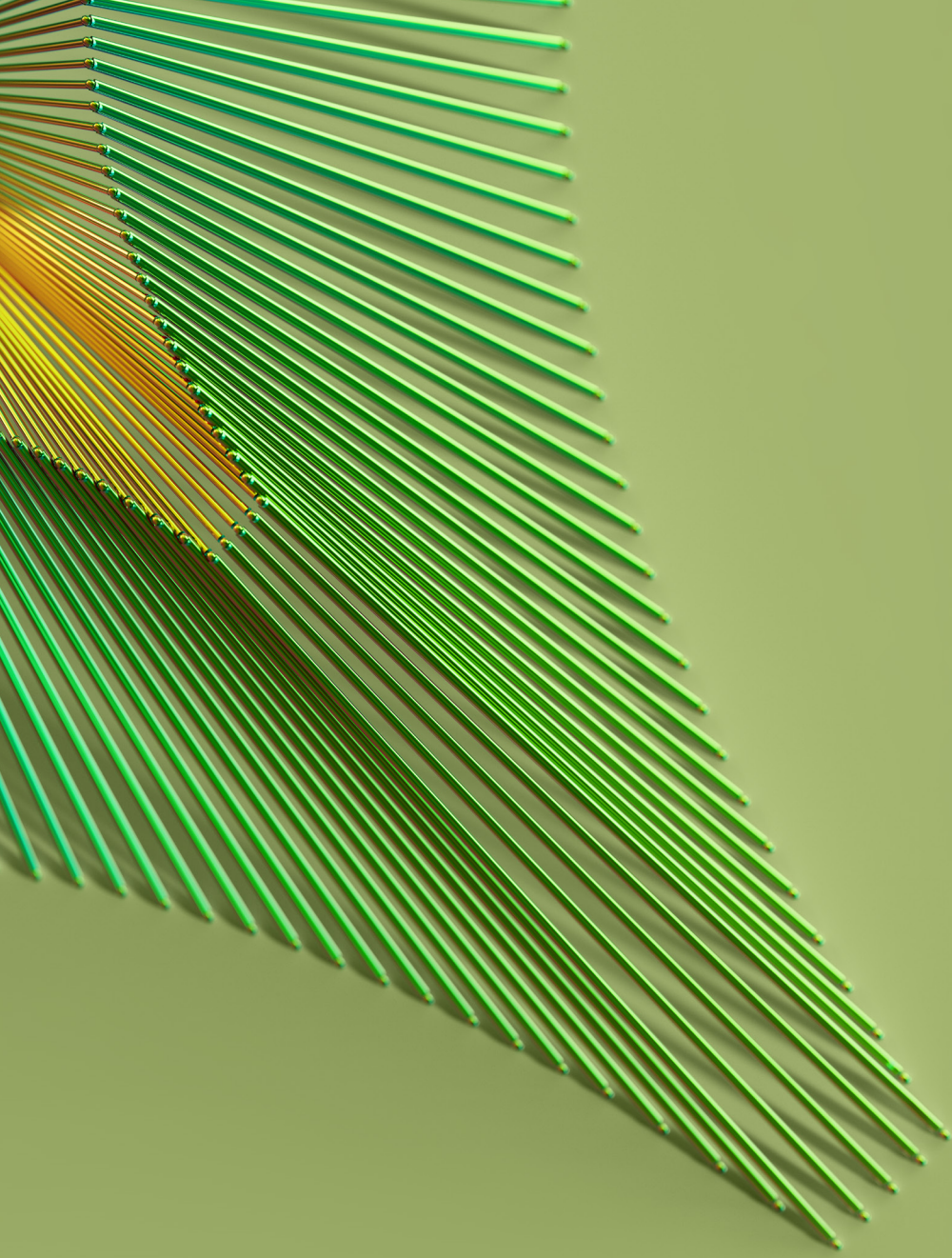
The confirmation of the above exclusion from DMCCA should provide comfort to many organisations that this potential loophole is not a risk.

If you are concerned about the impact of this issue on your organisation please get in touch with your usual HaysMac contact.



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Business resilience and third-party risk management

Professional institutes and membership bodies operate in an increasingly complex risk environment. As organisations responsible for supporting members, upholding professional standards, delivering qualifications, and protecting public trust, the organisations face a wide range of strategic and operational pressures.

These include evolving regulatory expectations, digital transformation, member engagement challenges, and growing reliance on third-party providers.

A robust approach to business resilience and third-party risk management is no longer optional, it is essential to safeguarding service delivery, reputation, and long-term sustainability.

Current risk landscape

Recent sector insights highlight several key strategic risks facing professional institutes and membership bodies. Leadership teams commonly identify financial sustainability, member retention and engagement, regulatory compliance, and the delivery of high-quality qualifications and services as critical priorities.

These risks, if not effectively managed, can directly impact an organisation's ability to maintain relevance, credibility, and value to its members. In parallel, digital transformation and operational outsourcing have introduced additional layers of complexity. Many organisations now rely on third parties for:

- ◆ Membership management systems
- ◆ Learning management and assessment platforms
- ◆ Examination delivery (including online delivery and exams)
- ◆ IT infrastructure and cloud services
- ◆ Events management and digital engagement tools
- ◆ Outsourced professional and support services

While these relationships enable scalability and efficiency, they also extend the organisation's risk exposure beyond its direct control.

Cyber threats, including ransomware, phishing, and data breaches continue to rise, particularly given the volume of sensitive member data, examination content, and intellectual property held by the organisations. Many institutes face challenges in maintaining in-house cybersecurity capabilities at the level required to counter increasingly sophisticated threats.

Why third-party risk matters

Failing to understand and manage third-party risk can have significant consequences for professional bodies. The common threats include:

- ◆ Service disruption: outages affecting membership systems, learning platforms, or exam delivery can directly impact member experience and operational continuity.
- ◆ Financial impact: unexpected costs may arise from incident response, system recovery, regulatory penalties, or loss of revenue from disrupted services.
- ◆ Data breach fallout: exposure of member data or examination materials can lead to regulatory scrutiny, legal consequences, and reputational damage.
- ◆ Loss of trust and credibility: members, regulators, and the public expect strong governance and resilience. Failures in this area can erode confidence and damage the organisation's standing.

These impacts extend into governance oversight, risk reporting, and assurance processes, potentially weakening strategic positioning in an increasingly competitive and globalised professional landscape.

Approaching resilience and third-party risk

Management should treat business resilience and third-party risk management as integrated, strategic priorities rather than reactive or compliance-driven activities. A practical framework should consider the following factors:

Map critical services and suppliers

- ◆ Develop a comprehensive inventory of third-party providers, including the services they deliver and their access to systems, data or operations
- ◆ Identify critical suppliers that underpin key member services, qualifications and revenue streams
- ◆ Categorise suppliers by risk type (e.g. cyber risk, operational dependency, financial exposure)

Perform risk assessments

- ◆ Assess the likelihood and impact of risks associated with each critical supplier
- ◆ Incorporate findings into the organisational risk register
- ◆ Consider scenarios such as:
 - ◆ Failure of a learning or exam platform
 - ◆ Cyber incidents affecting third-party providers
 - ◆ Supplier insolvency
 - ◆ Regulatory non-compliance impacting service delivery

Strengthen contracts and controls

- ◆ Embed clear expectations around service levels, resilience and information security within contracts
- ◆ Include provisions for incident notification, data protection and business continuity
- ◆ Where appropriate, establish rights to audit or obtain assurance over key controls

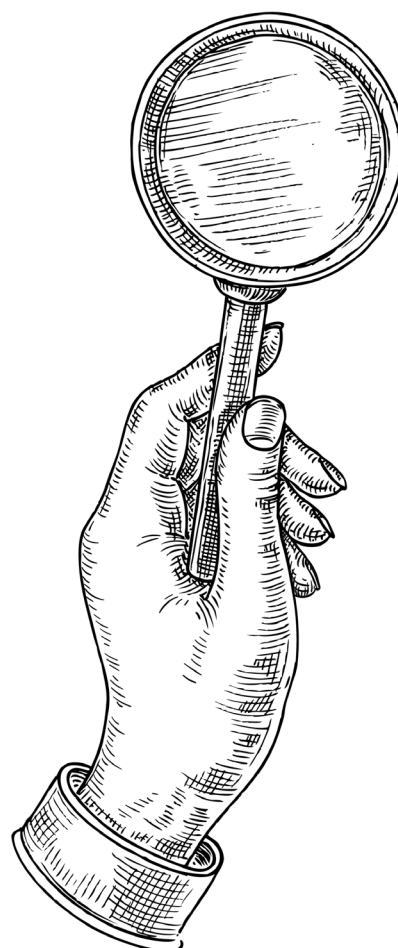
Integrate with business continuity planning

- ◆ Incorporate third-party failure scenarios into business continuity and disaster recovery plans
- ◆ Test response strategies through simulations and tabletop exercises
- ◆ Have clear roles, responsibilities and communication protocols during disruptions

Monitor, review and report

- ◆ Implement ongoing monitoring of supplier performance through KPIs and regular reviews
- ◆ Provide structured reporting to senior management and the Board
- ◆ Update risk assessments and mitigation strategies in response to incidents, market changes, or evolving dependencies

Effective risk management should be embedded within governance frameworks and inform strategic decision-making, rather than being treated as a standalone compliance exercise.



Taking practical steps to assess and improve maturity

To strengthen resilience and third-party risk management, leadership teams within professional bodies should consider undertaking the following:

- ◆ Risk maturity assessment: use structured tools to benchmark governance, risk management processes, incident response capabilities and third-party oversight against leading practices
- ◆ Scenario testing: carry out regular exercises simulating disruptions to critical suppliers (e.g. platform outages or cyber incidents) to validate response and recovery plans
- ◆ Governance oversight : have in place formalised risk reporting which ensures regular escalation to the Board and align with strategic objectives, regulatory expectations and long-term planning
- ◆ Training and awareness: plan and provide targeted training for senior leadership, IT teams, membership services and procurement functions to build a strong risk-aware culture



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Belonging, values and vision: why culture belongs firmly in the annual report

Membership organisations have always been values driven. They exist to bring people together around **shared standards, shared interests and a shared sense of professional identity.**

Members may join for practical benefits, but they stay because they trust the organisation and those who govern it. That trust is built over time through transparency and behaviour that aligns with stated values. Falling engagement, dissatisfaction or reputational damage are often the outcome of sometimes well intentioned decisions that have not been tested fully against the organisation's values or have been poorly communicated to the membership.

Values are most visible when trade offs are required. Decisions around pricing, partnerships, investment or cost control are rarely straightforward, and this is where trustees' accountability becomes most tangible. Effective governance requires trustees to challenge proposals, probe assumptions and consider whether the organisation would be comfortable explaining its decisions to members over the longer term, particularly where short term pressures risk diluting long term purpose.

Vision plays a crucial role in providing a stabilising reference point to allow organisations to adapt without losing their sense of direction. As custodians of that vision, trustees have a responsibility to ensuring the organisation remains aligned with its purpose as circumstances change.

The revised Charities SORP, effective for accounting periods beginning on or after 1 January 2026, reflects this shift in expectations. Compared with previous editions, it places far greater emphasis on how trustees govern, how judgement is exercised, and how culture and values shape outcomes, firmly positioning these themes at the centre of trustees' annual reporting.

What has changed from the previous SORP?

Under the previous SORP framework, trustees were required to explain objectives, activities and financial performance, but many reports focused on what happened rather than how decisions were made. Culture, values and organisational behaviour were often referenced, but rarely explored in depth or linked clearly to governance.

The revised SORP raises that bar. Trustees must now provide a more joined up narrative that connects the organisation's purpose and values, its strategy and future plans, its governance and risk management, and the outcomes delivered for beneficiaries and members.



Belonging is an outcome trustees must now articulate

The new SORP strengthens the requirement for trustees to explain how activities further charitable purposes and deliver public benefit. For membership organisations, this creates an expectation that trustees go beyond listing services or benefits and instead explain why those activities matter.

Belonging is central to that story. Trustees are now expected to describe how their organisation:

- ◆ Engages and retains members
- ◆ Supports professional standards and ethical behaviour
- ◆ Contributes to a wider community or public interest

Importantly, the SORP expects these statements to be grounded in evidence and outcomes. Belonging has become part of trustees' accountability for effectiveness and impact and is not to be considered a soft concept that sits outside of formal reporting.

Values and the expectation of visible judgement

One of the most material changes under the revised SORP is the stronger emphasis on trustee judgement. Trustees are required to explain significant decisions and the reasoning behind them, particularly where those decisions affect long term sustainability or involve balancing competing priorities.

This is a change from the previous approach, which often allowed values to be stated without demonstrating how they were applied. Under the new SORP, trustees are expected to show how values influence strategy and policy, how ethical considerations are weighed in decision making, and how member or beneficiary interests are considered alongside financial pressures.

Vision, future plans and long term stewardship

The revised SORP also strengthens expectations around future plans and going concern. Trustees must now provide a clearer explanation of how their strategy supports long term objectives and how risks and uncertainties are being managed. For membership bodies, this requires greater clarity about vision. Trustees are expected to explain where the organisation is heading, how it plans to remain relevant to members, and how it will respond to external uncertainty without losing sight of purpose.

This is a notable shift from earlier reporting, which often focused heavily on past performance. The emphasis is now firmly on demonstrating that trustees are thinking ahead, not simply reporting backwards.



Strategic, ethical and governance reporting in substance, not label

The revised SORP is clear that strategic, ethical and governance matters must be woven throughout the trustees' report, not confined to a standalone section. Trustees are expected to tell a coherent, organisation specific story that links values, governance, strategy and performance.

For trustees, this places greater responsibility on owning the narrative. It also increases the importance of challenging management, understanding the evidence behind narrative statements and being comfortable explaining where judgement has been applied.

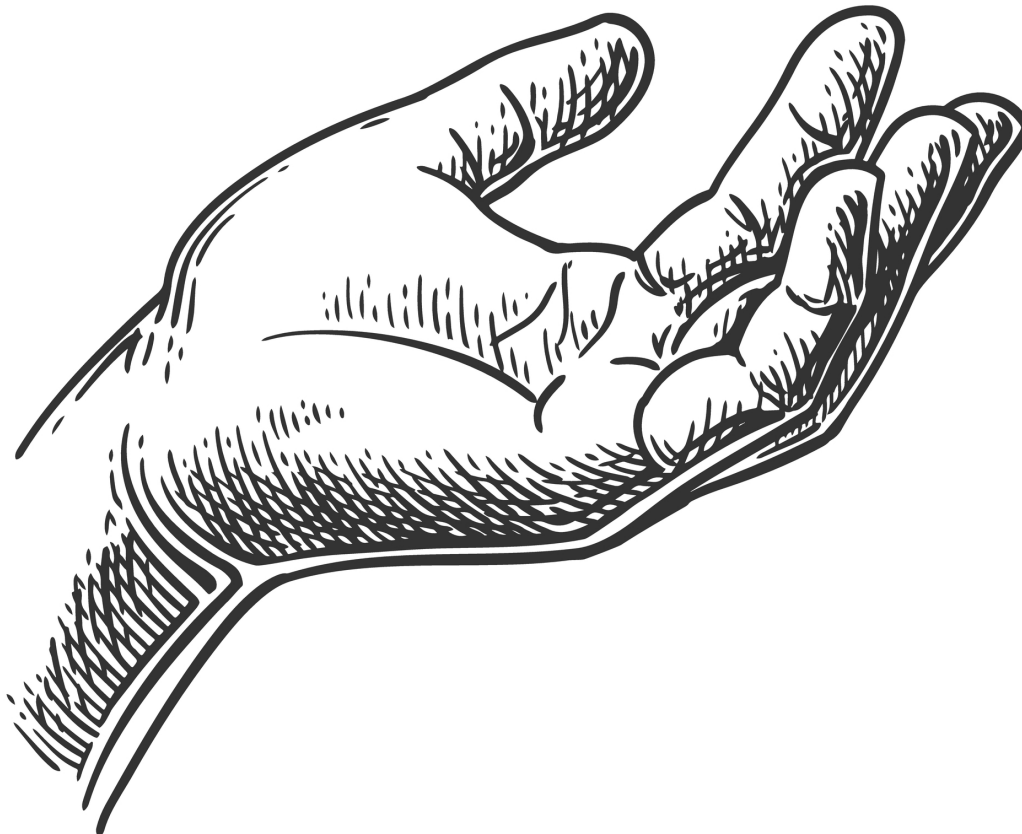
Accountability in uncertain times

Trustees are expected to demonstrate that they understand the organisation's risks, values and responsibilities, and that they are actively engaged in steering the organisation. The trustees' report should not be viewed as a summary of past performance, but as a means to explain the decisions and plans of the board in light of short-term challenges and the long term vision of the organisation.

In short, the trustees' report is no longer just descriptive. It is now explicitly evaluative.



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