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Key Regulatory Changes in Charity Reporting - What You Really Need to Know!

Laura Masheder - Head of Charities, BHP
Rachel Heath - Director, BHP

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Agenda

- **Overview — understanding the charity accounting framework**
 - FRS 102
 - Charity SORP
 - Company Law
- **Upcoming changes:**
 - How they will impact your financial statement
 - How they will impact your trustee report
- **Planning ahead and stakeholder conversations**
- **The Economic Crime Act - what you need to know/do**
- **Key takeaways from today**



Understanding charity reporting

Charity reporting is a complex area with layers of compliance.

- **Different types of charities:**
 - Charitable Companies
 - Unincorporated Charities - Trusts, Associations
 - Charitable Incorporated Organisations
- **Up to four layers of reporting regulation:**
 - FRS 102 — the UK Generally Accepted Accounting Practice
 - Charities Act 2022
 - Charities SORP (Statement of Recommended Practice)
 - Companies Act 2006



Understanding charity reporting

- **Charitable Companies**
 - Charities Act 2022
 - FRS 102 — the UK Generally Accepted Accounting Practice
 - Charities SORP (Statement of Recommended Practice)
 - Companies Act 2006

- **Unincorporated Charities and Charitable Incorporated Organisations**
 - Charities Act 2022
 - FRS 102 — the UK Generally Accepted Accounting Practice
 - Charities SORP (Statement of Recommended Practice)
 - Charities Act 2022 where income falls below £250k - receipts and payments accounts

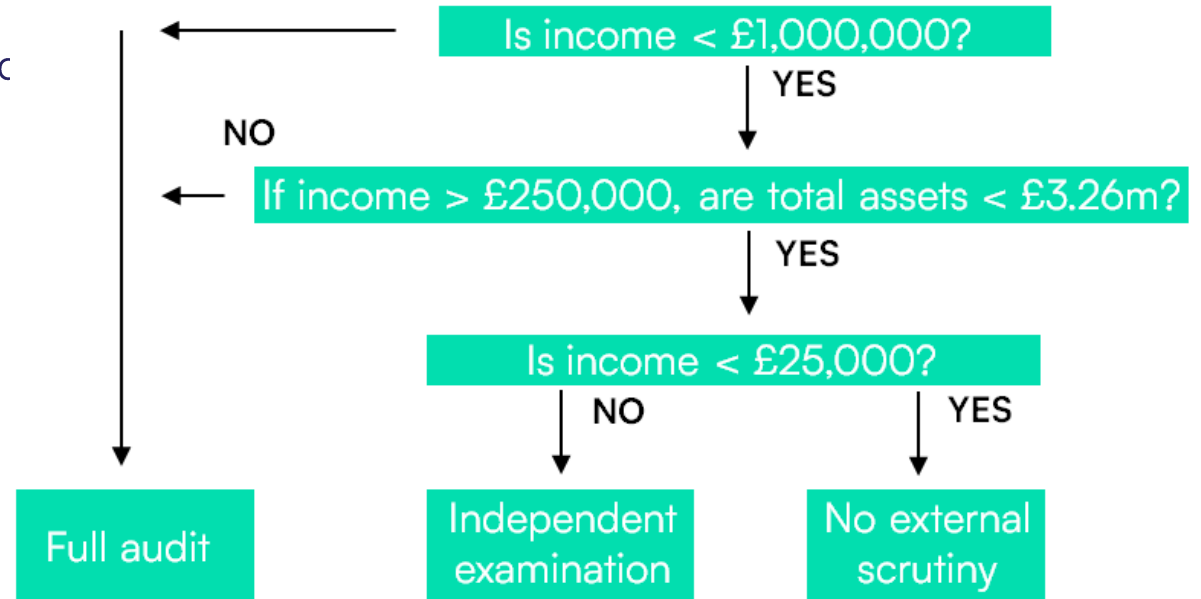


Understanding charity reporting

Required level of scrutiny - same for all types of charity

- Independent Examination < £250k (£500k*) - Independent individual - CC guidance
- Independent Examination > £250k (£500k*) - Qualified accountant - CC guidance
- Audit - Statutory Auditor - International Audit Standards
- Statutory deadlines - 10 months Charity Commission, 9 months Companies House
- Remember funders requirements and beware old governing documents

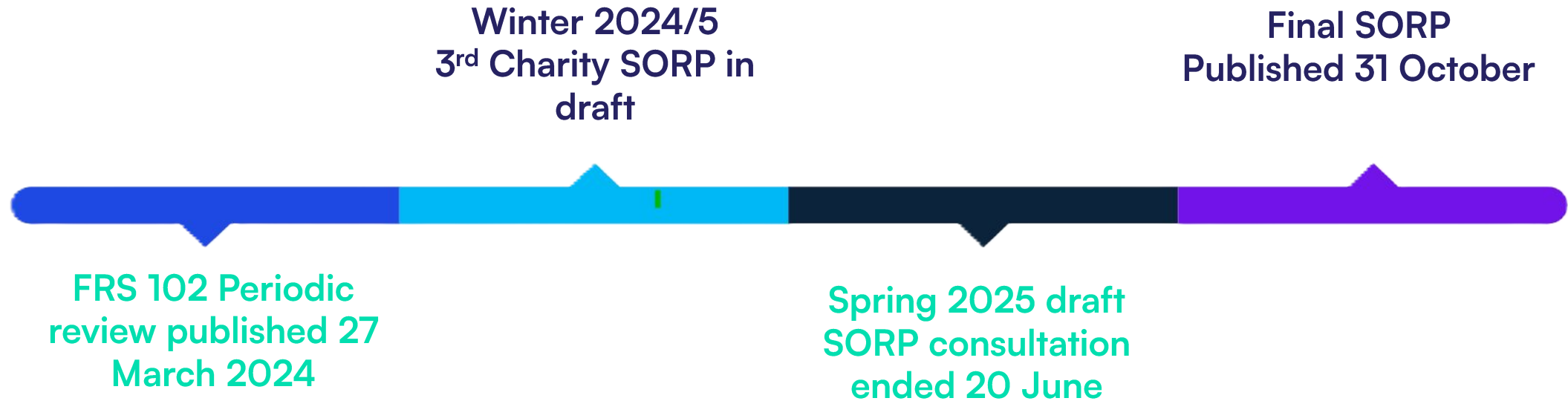
* Limits change from 1 October 2026





Upcoming changes to charity reporting

FRS 102 and SORP 2026



Accounting periods commencing on or after 1 January 2026.

- For many 31 December/31 March 2027 YE
- Beware of short periods which would bring forward adoption
- Early adoption permitted (full adoption only)!



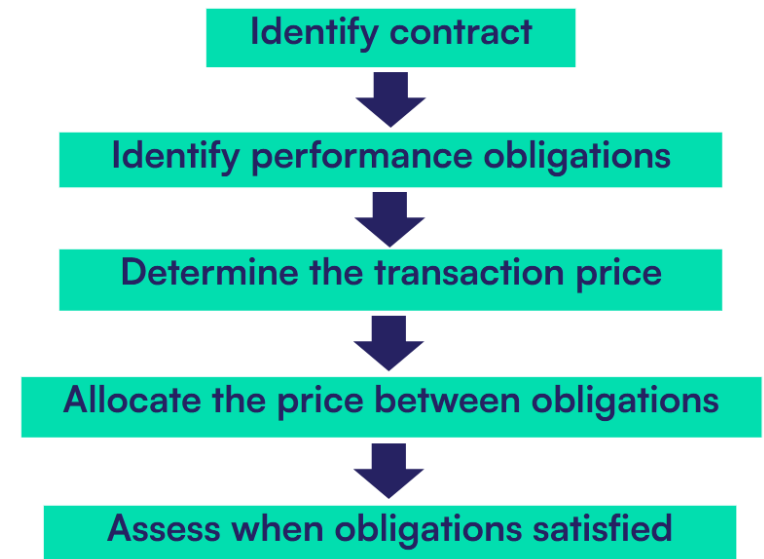
Upcoming changes to charity reporting

FRS 102 and SORP 2026

- FRS 102 takes us on a path of continued convergence with IFRS.
- Two critical areas FRS 102 will drive critical numerical changes

Income recognition - partially aligns with IFRS 15

- Exchange v non exchange transactions
 - Introduces 5 step model





Upcoming changes to charity reporting

FRS 102 and SORP 2026



- **Charity Complexities:**
 - Ignore terminology - calling it a grant doesn't make it one
 - Understand the commercials - statutory services v a grant maker
 - Agreements can be vague - how does price allocate to obligations?
 - Early conversations to ensure arrangements are clear
 - Impact will be very variable!



Upcoming changes to charity reporting

FRS 102 and SORP 2026



- **Leases - aligns with IFRS 16:**
 - Leases and corresponding obligations go on balance sheet
 - Right of use asset on the face of the balance sheet
 - Short and long term obligations on the balance sheet
 - Impacts gross assets, net assets and liquidity
 - Will impact results - implicit interest rate higher in early years



Upcoming changes to charity reporting

FRS 102 and SORP 2026



- **Exemptions available for:**
 - Short-term leases < 12 months with no option to purchase.
 - Leases of low-value assets - aggregated material leases can be 'low value' e.g. phones
- **Charity Complexities:**
 - Below market value rent
 - Non-commercial transactions
 - Mixed motive



Other relevant regulatory changes

Charity SORP Tiered Reporting



Tier 1: Small Charities

Small charities with income under £500,000, offering simplified reporting and fewer disclosure requirements.

Tier 2: Medium Charities

Income between £500,000 and £15 million, requiring full accrual accounts and standard disclosures. No cashflow unless the charity is a medium company.

Tier 3: Large Charities

Charities earning over £15 million, mandating full SORP compliance and cash flow statements.

Benefits of Tiered Framework

The tiered framework matches reporting complexity with charity size, promoting transparency and easing compliance.



Other relevant regulatory changes

Charity Size Limits - effective 1 October 2026



Requirement	Previous Threshold	New Threshold
Independent examination	Income > £25,000	Income > £40,000
Professionally qualified examiner required	Income > £250,000	Income > £500,000
Receipts and payments *	Income < £250,000	Income < £500,000
Audit required	Income > £1,000,000	Income > £1,500,000
Audit required (asset threshold and income)	Gross assets > £3.26m and income > £250,000	Gross assets > £5m and income > £500,000
Group accounts required	Group income > £1,000,000	Group income > £1,500,000

* NB Charitable Companies must always produce full accruals accounts — no de-minimus limit



Other relevant regulatory changes

Company Size Limits - effective 6 April 2025



In tandem Company Size limits are increasing:

- Income increases from £10.2 million to £15 million
- Gross assets increases from £5.1 million to £7.5 million
- Employee count threshold remains unchanged at > 50 but ≤ 250 employees



Upcoming changes to charity reporting

Impact on Trustees' Annual Report

Module	Extent of changes	Nature of changes
Trustees' Annual Report	Significant	<p>This module includes new and enhanced disclosure requirements plus changes to the structure of the module. The new requirements include:</p> <ul style="list-style-type: none">○ reporting on how a charity is responding to and managing environmental, governance and social matters;○ impact reporting is now a 'must' for all charities; and○ tier 2 and tier 3 charities should provide more narrative on how legacies are recognised in the accounts.



Upcoming changes to charity reporting

Trustees' Annual Report Headings and SORP paragraphs



Headings	Relevant SORP Paragraphs		
	Tier 1	Tier 2	Tier 3
Objectives and activities	1.19 to 1.22	1.19 to 1.26	1.19 to 1.26
Achievements and performance	1.27	1.27 to 1.32	1.27 to 1.33
Financial review	1.34 to 1.42	1.34 to 1.45	1.34 to 1.46
Plans for future periods	1.47	1.47 to 1.49	1.47 to 1.49
Structure, governance and management	1.50 to 1.51	1.50 to 1.54	1.50 to 1.54
Reference and administrative details	1.55 to 1.56	1.55 to 1.59	1.55 to 1.59
Sustainability	1.6	1.6	1.60 to 1.65



Trustees' Annual Report



Objectives and Activities -

- **Tier 1:**
 - Explain volunteer contributions
- **Tier 2:**
 - Detail scale and resources used in delivery
 - **Impact and measurement of success**
 - **Should** quantify volunteer input (hours or FTE)
- **Tier 3:**
 - Link activities to broader organisational strategy
 - **Should** integrate volunteer impact into strategic outcomes including detailed metrics on hours and roles

Achievements and Performance -

- **Tier 1:**
 - **Beneficiary** impact
 - Wider benefits to society
 - Infographics, statistics, beneficiary and volunteer testimonials
- **Tier 2:**
 - KPIs (including environmental or social issues)
 - The impact the charity is making including outputs achieved against numerical targets and achievement of charity's aims
- **Tier 3:**
 - Must report on **fundraising activities**



Trustees' Annual Report

Financial review



- **Tier 1:**
 - Glossary now includes a **definition of reserves**
 - Reserves reconciliation, either in the funds notes or as a separate note
 - Must compare the amount of reserves with charity's policy
- **Tier 2:**
 - Principal risks now includes **environmental issues, cyber** explicitly
 - Material investments, **must** explain the policies adopted by the charity trustees - **social, environmental or ethical** considerations
 - **Should** disclose the impact of any material **legacy income**.
- **Tier 3:**
 - Factors that are likely to affect future financial performance or position.



Trustees' Annual Report

Plans for future

- A **must** for all tiers — previously only larger charities were required to provide details

Structure, Governance and Management

- **Tier 2 and Tier 3:**
 - Must explain organisational structure
 - Must explain induction and ongoing **training of trustees**

Reference and Administrative Details:

- **Tier 2 and Tier 3:**
 - Must provide name of auditors



Trustees' Annual Report

Sustainability



Tier 1 and 2

Optional

Trustees may choose to explain in the report how the charity is responding to and managing environmental, governance and social matters. Trustees are encouraged to consider the needs of stakeholders when reporting in this area.

Tier 3

Mandatory

The trustees' annual report must provide a summary of how the charity is responding to and managing environmental, governance and social matters.

- o KPI monitoring progress against targets used to manage climate-related risks.
- o Governance matters: privacy, cyber security, data security and
- o Social matters: employee engagement and wellbeing, board diversity and inclusion and how a charity supports its local community.
- o A website link.
- o Charitable companies



Trustees' Annual Report

Sustainability - examples



Tier 1 and 2	
Example: A small community garden charity includes a paragraph in its report describing its use of rainwater harvesting and composting, and its engagement with local volunteers to promote biodiversity.	Example: A regional arts charity explains its efforts to reduce energy use in venues and its commitment to inclusive programming. It includes a short stakeholder survey summary showing support for these initiatives.

Tier 3
Examples: <i>Environmental example:</i> A national conservation charity reports a 15% reduction in CO ₂ emissions per £1,000 of income. It includes a chart showing annual energy use and explains its methodology using DEFRA conversion factors.
<i>Governance example:</i> A health charity outlines its ISO 27001-certified data security framework, recent penetration test results, and whistleblowing policy. It links to its full governance report online.
<i>Social example:</i> A housing charity includes staff survey results showing 85% satisfaction, a board diversity dashboard, and a case study on its local apprenticeship scheme.
<i>Cross reference example:</i> "For full ESG disclosures, see our 2025 Sustainability Report at www.charityexample.org/esg2025 "



Planning Ahead

Action points

- Review income and lease arrangements
- Talk to finance team and auditors
- Enhance requirements for reserves, future plans and impact
- Update systems and policies - data capture
- Allow time for training
- Anticipate need for additional resource/support
- Review environmental, social and governance activities and disclosures



The Economic Crime Act - what you need to know

Economic Crime and Corporate Transparency Act 2023

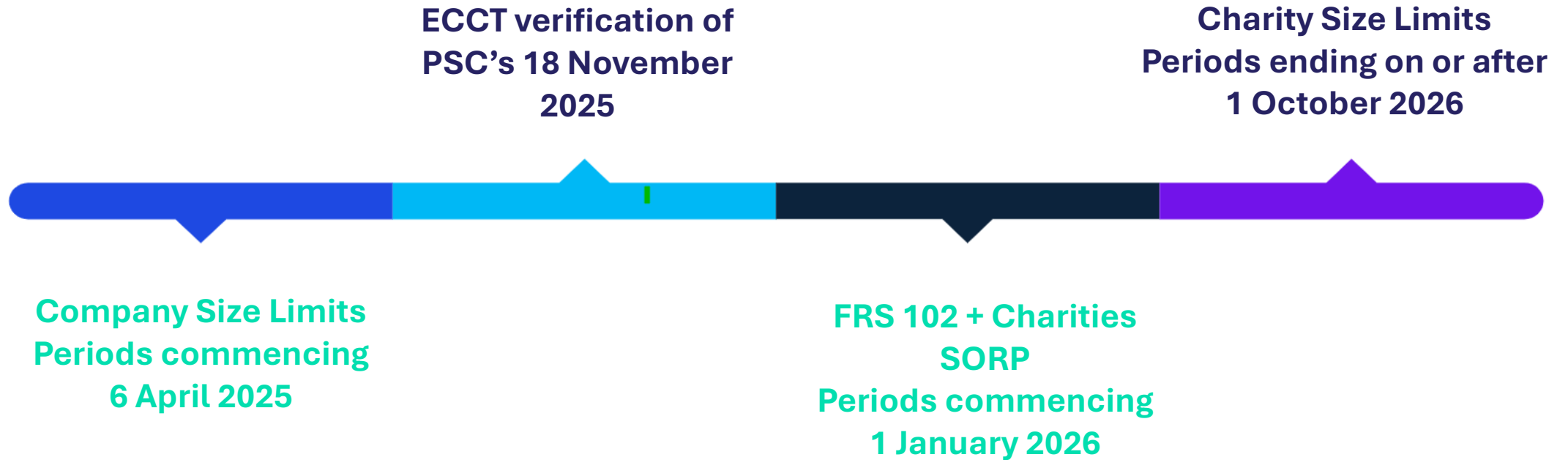


Key Measures Relevant to Charities -

- Small companies to file profit & loss - subsidiaries
- Mandatory online filing from 1 April 2027
 - Charity accounts via commercial software only
 - Webfile and dormant accounts filing taken off Companies House
 - All other filing via Companies House
- Identity Verification for PSC's from 18 November 2025 for PSC's:
 - New Directors appointed from 18 November 2025
 - Existing Directors before filing their next confirmation statement
- Companies House Powers enhanced to query or reject filings, remove false or misleading entries and impose fines or strike off non-compliant entities



Summary of Key Dates





Key take-aways from today

- Lots of change all at the same time — unprecedented!
 - Be prepared and understand the changes
 - Oversee the transition plan and allow adequate resource
 - Ensure that there is stakeholder engagement
 - *Funders*
 - *Lenders*
 - *Beneficiaries*
- Understand implications of changing size limits:
 - Assets base increases - falling into audit
 - Changing audit limits - falling out of audit
- Ensure that you are complying with other regulatory changes



Lets see what we've learned!



Quiz Time!

Join at

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#2001600





Thank you

Laura Masheder

laura.masheder@bhp.co.uk

Rachel Heath

rachel.heath@bhp.co.uk

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