



ICAEW CPD course for charity trustees – Part 2

CURRENT AND UPCOMING DEVELOPMENTS 2024-25

[RECORDED 4 SEPTEMBER 2024]

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Structure of the CPD sessions – Part 2

PART 1: Fundamentals

- What is a charity? What type of charity are you involved with?
- UK charity regulators - overview
- Being a charity trustee and the 6 main duties, with a focus on the need to:
 - Make effective decisions
 - Manage conflicts of interest / loyalty
 - Manage your charity's resources responsibly
 - Maintain accountability
 - Identify and manage risks
 - Report serious incidents

PART 2: Current and upcoming developments

- Charity regulation in E&W, incl. the Charity Annual Return
- Investing charity money
- Social media and the use of AI
- Accepting, returning and refusing donations
- Managing a charity's finances (CC12)
- 5-minute guides for trustees
- UK GAAP for charities, and upcoming changes
- Charity Governance Code
- The Fundraising Regulator
- Other UK charity regulators

Charity regulation in England and Wales

Key charity legislation

- Charities Act 2011, updated by the Charities Act 2022
 - 31 Oct 2022; 14 June 2023; 7 March 2024
 - Final changes - relating to ex gratia payments - due 'later in 2024'
- The Charities CIO Regulations 2023 – effective from 1 Nov 2023
- Charities (Protection and Social Investment) Act 2016 – no changes
- Charities (Accounts and Reports) Regulations – will be updated

Watch this space: Charity financial and audit thresholds



CHARITY COMMISSION
FOR ENGLAND AND WALES

Charity Annual Return (E&W)

- The Annual Return was revised in 2023 to include new questions which are also in place for 2024
- Trustees/charity staff should familiarise themselves with the questions - leave enough time to collate and check the responses
- A 'My Charity Commission Account' login is required to submit the charity's Annual Return, by the charity's main representative, but the guidance is available without logging in to the Account
- Good practice for trustees to periodically look at their charity's entry on the Charity Commission register – what information is being disclosed?

The Annual Return is an online form that *all* charities with annual incomes of £10,000 or more (and *all* CIOs) must complete within 10 months of the end of their financial reporting period

Charity Annual Return: Governance

Section 8 Governance requires charities to tick any/all of the policies and procedures in place at the end of the financial period covered by the Return from a list which includes:

CC 'expects':

- Internal charity financial controls
- Financial reserves
- Trustee expenses
- Trustee conflicts of interest
- Risk management
- Serious Incident Reporting (links to AR Section 9.2 but only asked if applicable)

It 'may be appropriate to have' policies on:

- Investing charity funds
- Engaging in campaigns and political activity
- Bullying and harassment
- Safeguarding (links to AR Section 9.1)
- Complaints
- Engaging external speakers at charity events
- Social media

- Can you lay your hands on these policies if they are applicable for your charity?
- Are they up to date, reviewed and approved appropriately?

Investing charity money

- A principal duty of trustees is to further the charity's purposes; trustees must therefore make investment decisions to further those purposes
- **CC14 Investing charity money guidance** for trustees was revised in August 2023
- As a minimum, trustees must:
 - comply with the legal duties and requirements set out in CC14
 - make decisions that are in the best interests of the charity
 - keep the charity's investment approach under regular review.
- **Charity Investment Governance Principles project:**
 - Outcome will be a new tool/set of Principles which provide practical support for trustees and staff when considering investment governance and decisions about investing charity funds – the Principles will complement the CC14 guidance
 - Final Principles due to be published by the end of 2024

Social media and the use of AI

- **Charities and social media guidance (Sept 2023)** reminds trustees of their legal duties in this area and clarifies the Charity Commission's regulatory expectations
- Trustees should consider whether they need to develop and implement a **social media policy** – the guidance includes a checklist for this
- The annual **Charity Digital Skills Survey** looks at digital adoption, skills, attitudes, funding and support needs across the charity sector
- The 2024 Survey includes a section on charities use of **AI (Artificial Intelligence)**, trends and challenges

Accepting, refusing and returning donations

- **Charity Commission guidance (March 2024)** sets out the legal requirements for trustees when deciding whether to accept, refuse or return a donation, including the situations when donations must be refused
- Premise is that donations should be accepted, but trustees need to understand when they:
 - must refuse – or return – a donation
 - should, or could, refuse – or return – a donation (where in the charity's best interest)
- Strongly encourage setting a '**Donations acceptance**' policy, including the due diligence processes required on donors, and staff/trustee roles and decision-making responsibilities
- Anonymous donations – safeguards and reporting requirements

Managing a charity's finances (CC12)

- CC12 was updated in June 2023 to take account of changes brought in by the Charities Act 2022
- Role of trustees in financial management, and how trustees can reduce financial risks, including the risk of insolvency
- CC12 provides guidance on how trustees can better manage 'financial difficulties'

5-minute guides for trustees (ongoing)

- Short guidance on the basics that all trustees need to know
- Helpful reminder for experienced trustees as well as those new to the role; complement the fuller CC3 guidance
- Include signposting to longer-form guidance and resources from other sector bodies
- Strongly recommend that *all* trustees review these as part of their induction/ongoing training process
- **Current guides are:**
 - Charity purposes and rules
 - Making decisions at a charity
 - Managing charity finances
 - Managing conflicts of interest
 - What to send to the CC and how to get help
 - Safeguarding for charities and trustees
 - Political activity and campaigning by charities

UK GAAP for charities

(Generally Accepted Accounting Practice)

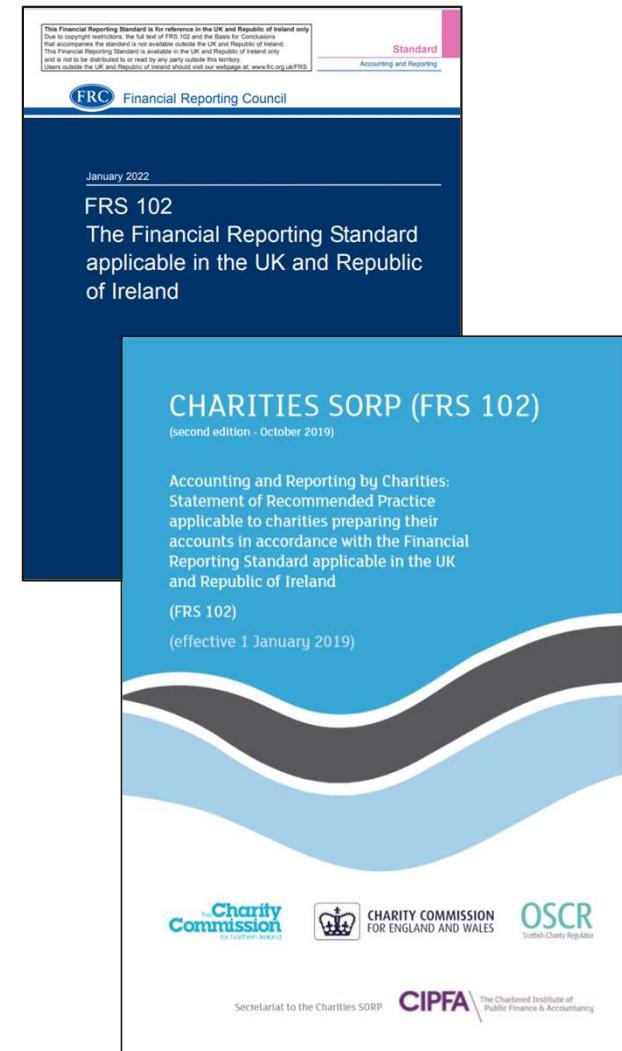
UK-Irish GAAP applies to charities preparing **accruals** accounts/showing a True & Fair view. The two key 'ingredients' are currently:

1. FRS 102

- Underpins UK financial reporting – current version in force is Jan 2022
- FRS 102 (Jan 2022) has been revised following the Periodic Review 2024
- The revised FRS 102 is effective for reporting periods beginning on or after **1 Jan 2026**

2. Charities SORP (FRS 102) 2nd edition (Oct 2019)

- The Charities Statement of Recommended Practice (SORP) interprets UK GAAP /FRS 102 as it applies to charities, plus additional requirements eg, Trustees' Report disclosures; fund accounting
- The SORP needs to be revised in line with the revised FRS 102
- The draft SORP should be available for consultation in early 2025
- The final SORP will be effective for reporting periods beginning on or after **1 Jan 2026**



What can you do to prepare?

Two key areas:

Accounting for revenue (from IFRS 15)

- 5 step model applicable to certain 'exchange' income streams eg, contract income
- More rules-based
- List and understand the nature of your charity's income streams; identify those where income is received in exchange for fulfilment of obligations – written contracts/agreements but can also be verbal

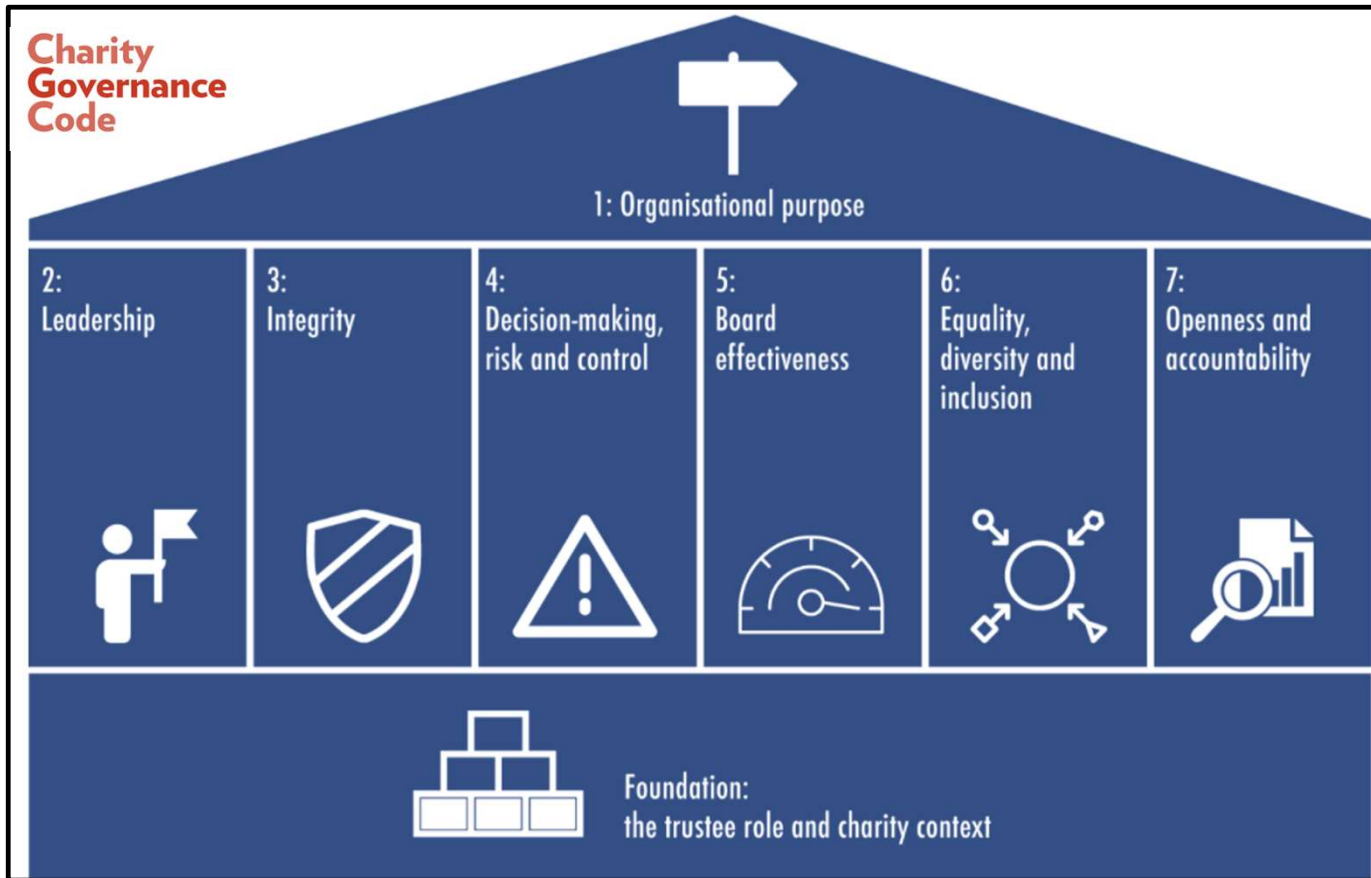
Accounting for leases (from IFRS 16)

- No more 'operating leases'
- Could have a significant impact if your charity is a lessee – bring all leased assets and related liability onto the balance sheet
- No change for lessors
- List and understand the nature and value of your charity's leases, and the terms of the underlying lease agreements; think about this now when taking out new leases

Prepare, don't panic!

- Be aware of the main changes in FRS 102 which will be reflected in the Charities SORP
- Know what you are likely to be dealing with
- Consider the impact on your charity's accounts in advance, and any knock-on effects, for example:
 - will your charity breach the charity audit threshold?
 - bank covenants
 - depreciation rates (later)
- Consider the need for additional training and support for finance staff or volunteers
- Keep up to date via ICAEW Charity Community newsletters, events and webinars

Charity governance code



The Code currently comprises 7 Principles, supported by recommended practice.

The Principles are based on the assumption (foundation) that the charity and its trustees are meeting their legal and regulatory obligations.

Following a consultation in summer 2024, a revised Code is expected in spring 2025

The Fundraising Regulator



- **Code of Fundraising Practice is under review** – final version expected in early 2025
- The Fundraising Regulator's website includes its Annual report, research outcomes and best practice tips for fundraising
- The **FR's Annual Complaints Report (ACR)** is available for 2024, however, publication of complaints data from charities will be paused in 2025 and 2026 (ACR Part 2)
- FR urges charities have a process in place for monitoring complaints made about their fundraising, and to still collect this information
- FR will continue to report on the complaints received from members of the public (ACR Part 1)

Reminder:

- **CC20 Charity fundraising: a guide to trustee duties** and linked documents

Key points from other UK charity regulators



Key charity legislation - Scotland

- Charities and Trustee Investment (Scotland) Act 2005, as amended by the Charities (Regulation and Administration) (Scotland) Act 2023
- 3 tranches of changes effective from 1 April 2024, 1 Oct 2024 and summer 2025
- 2006 Regulations and amendments

**Sign
up for
Alerts**



Key charity legislation – N Ireland

- The Charities Act (Northern Ireland) 2022 and supporting Regulations

Watch out for: Different requirements if you are a cross-border charity

ICAEW resources for charity trustees

- **Trustee Training Modules**

ICAEW's free online training provides a learning space where you can explore the knowledge and skills required to be an effective charity trustee in more depth through a range of reading materials, video recordings and reflective activities.

[icaew.com/trusteetraining](https://www.icaew.com/trusteetraining)

- **Charity Community**

ICAEW's Charity Community brings together tools, insights and resources for charity trustees and finance professionals working with the charity sector. Join now to receive invites to free webinars, updates on charity sector developments and practical guidance for your trustee role. Membership is free and open to everyone:

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