Smart decisions. Lasting Value

St Raphael’s Hospice

Audit Planning Report

Year ending 31 March 2026

Presented to the Finance and Resources Committee on 5 May 2026

Audit / Tax / Advisory / Consulting

Strictly Private and Confidential

The Finance and Resources Committee
St Raphael's Hospice
London Road
Cheam
SM3 9DX

Dear Members of the Finance and Resources Committee

We have set out in this audit planning report various matters relating to our audit of the financial statements of St Raphael's Hospice for the year ending 31 March 2026 following our initial discussions with Alan Cogbill, Nick Stevens and Neena Vadgama on 10 February 2026.

The primary purpose of this report is to communicate to the Finance and Resources Committee and the Trustees relevant matters relating to our forthcoming audit.

We look forward to working with you on the completion of the audit of the annual report and financial statements of St Raphael's Hospice.

Yours sincerely

Dipesh Chhatralia
Partner

Contents

1. Executive summary

Our report to you

International Standards on Auditing (UK) require that we communicate formally with “those charged with the governance” of St Raphael’s Hospice regarding relevant matters relating to our forthcoming audits. The objectives of this are to:

- ensure that there is a mutual understanding of the scope of the audit and the respective responsibilities of ourselves as auditor and those charged with governance;
- share information to assist both ourselves as auditor and those charged with governance to fulfil their respective responsibilities; and
- provide to those charged with governance constructive observations arising from the audit process.

We have discussed the matters below in Section 2 to Section 5 of this report:

• an overview of the planned scope and timing of the audit
• the significant risks of material misstatement, whether due to fraud or error, and our plans to address these
• any other significant matters that, in our professional judgment, are relevant to the oversight of the financial reporting process

Responsibilities and ethical standards

We have prepared this report taking account of the responsibilities of the Trustees and ourselves set out in Appendix 1 of this report.

Internal controls and the IT environment

We have documented our consideration and approach to internal controls, including the IT environment, in Appendix 2.

Audit materiality

Our overall audit materiality for the financial statements as a whole will take account of the level of activity by St Raphael’s Hospice and will be set at approximately 2% of income.

Trustees’ Report and Financial Statements

We have set out in Appendix 4 a number of considerations to be taken by the Trustees and management when preparing the financial statements for the year ending 31 March 2026.

Audit report

Please note that, while the financial statements are in draft form, the draft audit report should contain the words “This report has not yet been signed” in the space for our signature. We will agree with you when this wording can be removed.

2. Significant audit risks

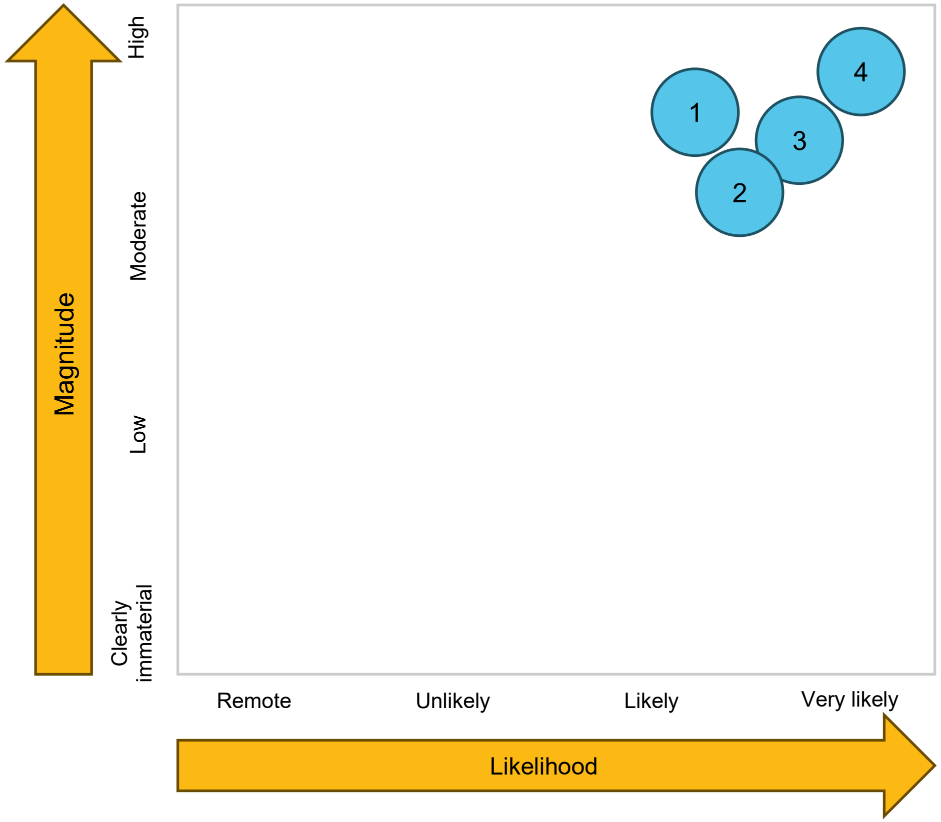
Under ISA (UK) 315 auditors are required to consider the spectrum of inherent risk, considering both the likelihood and magnitude of a possible misstatement. Risk is considered in the context of how, and the degree to which, inherent and control risk factors affect the likelihood and magnitude of a misstatement occurring. Such factors may be qualitative or quantitative, and include complexity, subjectivity, change, uncertainty or susceptibility to misstatement due to management bias or other fraud risk factors. A 'significant' risk is one close to the upper end of the spectrum of inherent risk, or one that has to be treated as such under other auditing standards.

Our audit work will take account of our assessment of the risks of misstatement of transactions and balances in the financial statements. We identify a range of risks from our understanding of St Raphael's Hospice, its people and environment, and the system of internal control and plan our audit work so as to reduce the risk of material misstatement to an acceptable level.

We have considered the inherent risk including both the likelihood and magnitude of a potential misstatement, as shown in the chart opposite.

KEY:

1. Going concern
2. Grant income and related judgements
3. Legacy income and related judgments
4. Management override of controls



2.1 Going concern

Key related judgements

In preparing the financial statements the Trustees are required to make an assessment of the charity's ability to continue as a going concern.

In assessing whether the going concern assumption is appropriate, the Trustees and management are required to consider all available information about the future of the charity in the period of at least, but not limited to, twelve months from the date when the financial statements are approved and authorised for issue.

The trustees' going concern assessment is a key area of emphasis and importance for our audit and, in accordance with the requirements of ISAs (UK), our audit report includes a specific reference to going concern.

The climate has remained challenging, as for many hospices in the sector, with pressures on the fixed cost base, in particular with staff costs, and challenges in generating sufficient fundraising income to support the Hospice's core activities. For 2026, the Hospice is forecasted to meet its £331k deficit budget, before accounting for support received from the Daughters of the Cross of Liege.

During the year, St Raphael's Hospice entered into agreements with the Daughters of the Cross of Liege. The arrangement, which is yet to be formalised at the time of drafting this report, is anticipated to be finalised before the financial year end and therefore may need to be accounted for in 2026's accounts. Key features of these agreements include:

- A £1.5m unrestricted grant to be provided in 3 tranches of £500k for each of the following three years.
- £1.5m restricted grant to be used towards the build of an additional warehouse behind the current Hospice site.
- The transfer of the ownership of the hospice site to St Raphael's Hospice.

This transaction will improve the financial sustainability of the charity in the short term and improve the free reserves position.

Similar to the previous year, management will need to prepare a detailed paper setting out their assessment of St Raphael's Hospice's ability to continue as a going concern for consideration alongside the draft financial statements by the Finance and Resources Committee.

Crowe response

As part of our audit work, we will:

- Review the period used by Trustees to assess the ability of St Raphael's Hospice to continue as a going concern.
- Examine budgets and forecasts prepared by management covering the period of the going concern assessment to ensure that these appropriately support the trustees' conclusion.
- Review the accuracy of past budgets and forecasts by comparing the budget for the current year against actual results for the year.
- Review any other information or documentation which the Trustees have used in their going concern assessment.

2.2 Revenue recognition - grant income

Key related judgements

We understand St Raphael's Hospice is expecting a £1.5m unrestricted and £1.5m restricted grant from the Daughters of the Cross of Liege. St Raphael's Hospice also received a government capital grant via Hospice UK in the year. As a result, grant income is a significant income stream for the hospice.

In certain cases, if grant income is not properly managed then the risk of claw back is high.

Income is not always received in line with the entitlement to the income in accordance with the Charities SORP (FRS102) and therefore there may be a requirement to defer or accrue income. There may also be performance criteria attached to the grants received which would impact on the establishment of entitlement to the grant.

Given the complexities within the recognition of grant income, we consider there to be a significant risk in respect of completeness and cut off.

Crowe response

As part of our audit work, we will:

- Update our understanding of the systems in place which St Raphael's Hospice used to achieve control over, capture, process and disclosure of grant income and we will consider the design and implementation of the key controls in this area to address the risks of completeness and cut-off.

- Review St Raphael's Hospice's income recognition policy in relation to grant income.
- Review SRH's procedures for identifying restrictions and conditions.
- Review levels of grant debt held at the year end and investigate aged donor debts for instances of dispute and/or withheld funding.
- Review the findings of any grant audits requested by donors.
- Scrutinise funding agreements so as to understand income recognition, terms, reporting requirements, and claw back risk.
- Review the clawbacks that have occurred in the year and assess whether provisions for further clawbacks are required.

2.3 Revenue recognition - legacy income

Key related judgements

Legacy income is a significant income stream, £1.6m in 2025.

St Raphael's Hospice's income recognition policy states that "*legacies are included in the statement of financial activities when there has been a grant of probate, the executors have established that there are sufficient surplus assets in the estate to pay the legacy, and any conditions attached to the legacy are within the control of the charity. The value used is discounted by 15% in order to recognise the risk that asset values realised may not reach the original valuation estimates.*"

International Standards on Auditing (ISA (UK) 240) presumes there is always a significant risk of material misstatement due to fraud in revenue recognition, unless this is rebutted.

Given the level of judgement involved in recognising legacy income, there is considered to be a significant risk in respect of the accuracy of the income recognised.

Crowe response

As part of our audit work, we will:

- Update our understanding of the systems and controls used in the capture, processing and recording of legacy income, focussing on reviewing the design and implementation of key controls in addressing the risk of accuracy and completeness.
- Sample test individual legacies to confirm completeness and accuracy, and ensure that these have been correctly accounted for in your financial statements.
- Select a sample of Smee & Ford notifications, to ensure that any potential legacy income has been correctly captured and followed up with solicitors where necessary.
- Consider the reasonableness of the discounting method when comparing the accrued income included in the prior year based on estate valuations, with amounts received in the year relating to those estimations.
- Review the recoverability of balances that remain on the balance sheet at the year-end.
- Review the legacy pipeline report to ensure that any potential legacies that relate to the current year are being captured in the financial statements.

2.4 Management override of controls

Although the level of risk of management override of controls varies from entity to entity, Auditing Standards recognise that this risk is nevertheless present in all entities because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Due to the unpredictable way in which such override could occur, including to mask fraud, the override of controls is a significant risk for all audits.

The Trustees must satisfy themselves that the control environment present within the entity together with the trustee controls and controls over the posting of journals are adequate to deter any inappropriate override of controls from management.

We are required to design and perform audit procedures to respond to the risk of management's override of controls which will include:

- understanding and evaluating the financial reporting process and the controls over journal entries and other adjustments made in the preparation of the financial statements and testing the appropriateness of a sample of such entries and adjustments;
- reviewing accounting estimates for biases that could result in material misstatement due to fraud; and
- obtaining an understanding of the business rationale of significant transactions that we become aware of that are outside the normal course of business or that otherwise appear to be unusual given our understanding of SRH and its environment.

2.5 Judgements and estimates

ISA (UK) 540 Auditing Accounting Estimates and Related Disclosures requires additional audit focus over management's estimates, including undertaking separate risk assessments for both inherent and control risks. In respect of the former, consideration is required of the estimation uncertainty, the subjectivity and the complexity of the estimate. We are also required to consider whether the disclosures made in the financial statements are reasonable.

We will pay careful attention to areas of the financial statements affected by management judgement and estimation. We have initially identified the following for specific review.

- Assumptions relating to recognition of grant income *[Significant]* (Section 2.2)
- Assumptions relating to the recognition of legacy income including the application of the discount *[Significant]* (Section 2.3).

We have determined the below as not being significant estimates and judgements.

- *Impairment of assets and remaining useful life of assets* – As detailed in Section 3.4, we will review the depreciation rates applied in the fixed and intangible assets and reperform the calculations. We will also, through discussions with the estates manager, obtain and understanding of the repairs work and state of the buildings for any potential impairment to consider.
- *Dilapidations* – In the prior year, a dilapidation provision estimated for £112k for the leased retail units was included. Management will need to review and assess this to determine that this remains appropriate.
- *Bad debts* – Through our review of post year-end receipts we will form an assessment of any bad debts that may require a provision and assess against any provision disclosed in the financial statements.

Other judgements and estimates

We will identify all areas where an accounting estimate or judgment is used and we will obtain an update from management on the basis of the estimates.

We will consider whether these have high or low estimation uncertainty. Where there is high estimation uncertainty (primarily, if there is a range of reasonable outcomes which exceeds our materiality) this indicates a significant risk. We will compare the estimates and judgments made in the prior period with actual outcomes.

We will also review management's assessment of this and specifically consider whether the estimates and judgments arrived at by management indicate any management bias. This means that management will also need to consider whether there is any bias in information received from other departments.

It is important that you are satisfied that the assumptions used by management are appropriate and we will ask you to provide a written representation to us to confirm this.

3. Other areas of audit focus and disclosure

We have also noted the following matters from our initial discussions and from our work in previous years as not having significant audit risk but being potentially relevant to the financial statements.

3.1 Income

Whilst we deem grant and legacy income to be significant (see Section 2) we do not consider other income streams to be significant due to the high volume/low value transactional nature or because of there being limited judgement needed in the accounting.

Across all income streams the key risks remain the same:

- Completeness (has all income due been appropriately recognised in the period?).
- Cut off (has income been recognised in the appropriate period?).
- Fund allocation (have donor restrictions on the use of the income been appropriately captured in the financial statements?).
- Valuation (where income is owed at year end, is it likely to be received or should it be provided against?).

NHS and ICB contract income

St Raphael's Hospice receives a substantial amount of its income from the NHS and Integrated Care Boards (ICB), £2m in 2025.

Individual nature of contract agreements are agreed with NHS and ICBs in advance, with a fixed amount being provided for the year. On the basis that there is no complexity or judgement in the arrangement, we do not deem there to be a significant risk with this income stream.

As part of our audit work, we will:

- Reconcile income per the NHS and ICB contracts to amounts recorded in the nominal ledger.
- For a sample of contracts, test from the source to confirm receipt to bank statements.
- Review the year end cut-off to ensure contract income has been recognised in the correct reporting period.
- Review and follow up on material aged debtor balances to gain assurance over the recoverability of these balances.

Donation income

A significant income stream for St Raphael's Hospice is donations, and such income amount to £2.9m in 2025.

SRH has a large volume of income transactions however as donation income is recognised on receipt there are no significant judgements or estimates involved.

Our audit work will include the following:

- Documenting the procedures that you use to capture, process and disclose your key donation income streams.
- Checking donations and other supporting documentation on a sample basis to establish whether any restrictions and conditions were properly identified.
- Reviewed the year end reconciliation between the fundraising database and nominal ledger records.

Retail income

St Raphael's Hospice operates a chain of a little over 10 retail shops throughout the UK, selling mostly donated goods. Income for 2025 amounted to £2m.

A significant proportion of the income is from cash sales, which is by its nature a fraud risk, however given the high volume/low value and transactions nature of the income is not considered to give rise to a significant risk of material misstatement. Income is reported by each retail unit on a weekly basis, and therefore a key issue is around cut off at the year end.

As part of our audit work, we will:

- Perform analytical review of trends and variances for each income stream against expectations, budget, forecast and prior years where appropriate.
- Review a sample of reconciliations between the EPOS system and amounts banked for shops.
- Trace a sample of returns from shops to till receipts (where available) and other supporting documentation.
- Review management information showing income and expenditure for each shop against prior year and obtain explanations for significant variances.

Lottery income

Lottery income generated £0.4m in 2025. As part of our audit work, we will agree the amount recognised to confirmation we will receive directly from Sterling Lotteries.

3.2 Payroll

Payroll is the largest single expenditure item for St Raphael's Hospice. The key risks in this area are considered to be:

- Existence (does the expenditure relate to genuine employees?).
- Accuracy (are payments made at authorised amounts and are the correct deductions made?)
- Disclosure (have all required disclosures been made in the financial statements?)

As part of our audit work, we will review the controls in place over monthly processing including the reconciliation of the payroll to the nominal ledger.

We will also perform analytical procedures that consider gross pay, deductions and staff numbers year on year to ensure that all trends and relationships appear reasonable and that the totals agree with the ledger, and we will verify a sample of staff between the payroll and other HR records and agree their costs to supporting documentation on a sample basis.

3.3 Other expenditure

Our approach for other expenditure items will be based on analytical review procedures, which consider actual versus budget and prior year results, together with understanding the controls operated by St Raphael's Hospice to ensure that expenditure is appropriately controlled and authorised and that the required cut-off has been correctly applied at the year end.

We will also select a sample of expenditure transactions from the nominal ledger for agreement to underlying records, to ensure that transactions are being accurately processed in the accounting system and authorised by an appropriate individual within the organisation.

3.4 Tangible fixed assets

St Raphael's Hospice held fixed assets with a net book value of £0.8m in 2025. St Raphael's Hospice is continuing to use the capital grants received from the government via Hospice UK to improve the building in 2026. We are also aware that as part of the grant from Daughters of the Cross of Liege, which is expected to be recognised in 2026, land and buildings will be transferred to the charity.

As part of our audit work, we will:

- If material, test a sample of additions and disposals to supporting documentation.
- Recalculate the rate of depreciation to ensure it has been applied in accordance with the accounting policy.
- Review the cut-off of costs in relation to the works being carried out over the year end.
- Review the capital commitments of the costs in relation to works being carried out over the year end to ensure adequate disclosure has been made in the financial statements.
- Review the treatment of capital versus revenue expenditure, to ensure any capitalised costs correctly meet the criteria necessary for capitalisation.

3.5 Investments

St Raphael's Hospice holds a significant investment portfolio, £1.7m in 2025.

As part of our audit work, we will:

- Obtain the year end valuation reports directly from the investment managers and agree these reports to the financial statements.
- Obtain and review the AAF 01/20 reports, where available, for the investment managers and ensure that the reports are not qualified or contain exceptions relevant to the management of the charity's investments; and
- Obtain 3rd party support for the year end unit price as quoted by the investment managers for a sample of shares held.

3.6 Funds

St Raphael's Hospice operates a number of different funds subject to various restrictions and designations. You must ensure that all movements on funds are correctly identified and accounted for. This requires careful consideration of the various terms and conditions which may be applied to income.

As part of our audit work, we will:

- Trace restricted contributions, legacies and grants found in our income testing to the relevant fund account.
- Review a sample of expenses allocated to restricted funds to ensure that the expenditure was spent in accordance with the objects of the fund.
- Review the analysis of net assets to ensure that it has been correctly allocated across the funds.
- Review the processes in place to ensure that restricted transactions are completely and accurately captured and reported within the organisation and review year end balances to ensure that they appropriately reflect the restrictions that should be in force.

3.7 Related parties

In line with the ISAs which direct our audit work (ISA (UK) 550) we are obliged to ensure that any related parties are identified and that any transactions involving these parties and the group are appropriately authorised and correctly disclosed in the financial statements. The definition of a "related party" as defined in FRS 102 encompasses, in addition to the Board of Trustees and any members of management who can directly influence management decisions and close family members of both; the latter being of relevance if individual Trustees, Directors and members of management are perceived to be in a position to influence the management decisions of family members or can be influenced by them.

We will therefore review St Raphael's Hospice's procedures for identifying potential related parties and ensuring all transactions are complete, including any annual declaration of interests completed by Trustees and Senior Management.

4. Fraud and irregularities and our audit reporting

The primary responsibility for the prevention and detection of fraud rests with management and "those charged with governance" (i.e. the Trustees), including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by irregularities including fraud, or error.

Corporate governance and fraud

We make enquiries of management to obtain their assessment of the risk that the financial statements may be materially misstated due to fraud. However, we emphasise that the responsibility to make and consider your own assessment rests with yourselves and that the trustees, Finance and Resources Committee and management should ensure that these matters are considered and reviewed on a regular basis.

We are required to document an understanding of how "those charged with governance" exercise oversight of management's processes for identifying and responding to the risks of fraud in St Raphael's Hospice and the internal controls that management has established to mitigate these risks. Specifically, we require a response to the following questions:

- What, in your view, are the risks of fraud in the entity? Both misappropriation of assets and fraud relating to financial reporting?
- What are the general risks of fraud in this business sector, and how does this entity mitigate them?
- How do you monitor and review management's process for identifying and responding to the risks of fraud in the entity?
- To what extent do you understand the controls management has put in place to mitigate those risks?
- Has there been any actual or suspected fraud during the year?
- Have there been any allegations of fraud during the year?

Trustees may find it helpful to prepare a fraud risk assessment alongside management. A fraud risk assessment is an objective review of the fraud risks facing an organisation to ensure they are fully identified and understood. This includes ensuring:

- fit for purpose counter fraud controls are in place to prevent and deter fraud and minimise opportunity, and
- action plans are in place to deliver an effective and proportionate response when suspected fraud occurs including the recovery of losses and lessons learnt.

Any fraud risk assessment should not be seen as a standalone exercise but rather an ongoing process that is refreshed on a regular basis.

Our responsibilities

In line with ISA (UK) 700 our audit report will include an additional comment to explain to what extent the audit was considered capable of detecting irregularities, including fraud.

As auditors, we are required to document an understanding of how "those charged with governance" exercise oversight of management's processes for identifying and responding to the risks of fraud in St Raphael's Hospice and the internal controls that management has established to mitigate these risks.

We note that St Raphael's Hospice has a structured process for fraud reporting, through its risk management and the Finance and Resources Committee. We have not been made aware of any significant matters which would affect our assessment of audit risk at this stage, although this will need to be reviewed by us, and confirmed by the Trustees, up to the date of approval of the financial statements.

We will make enquiries of management and others within St Raphael's Hospice as appropriate, regarding their knowledge of any actual and suspected or alleged fraud affecting SRH. In addition, we will be required to ascertain the following from the Finance and Resources Committee / Trustees.

- Whether they have knowledge of any fraud or suspected fraud.

- The role that the Finance and Resources Committee / Trustees exercise in oversight of:
  i) SRH’s assessment of the risks of fraud, and the design, implementation and maintenance of internal controls to prevent and detect fraud; and
  ii) their assessment of the risk that the financial statements may be materially misstated as a result of fraud.

We will seek representations from the Trustees on these matters and we will liaise with the finance team, in the first instance, to identify any specific risks or information relevant to these considerations.

5. Staffing and fees

Staffing

Dipesh Chhatralia is your Audit Partner. He will be assisted by Josh Fleet as Audit Manager.

Our audit fees

As in previous years our proposed audit fee is based on the following assumptions:

- First draft financial statements and detailed supporting schedules are available at the commencement of the audit. If this information is not available to us at the start of our audit we may seek to charge additional fees to cover any resulting delays or inefficiencies.
- We are required to check and review up to two further drafts of the financial statements prior to these being finalised for approval by the Trustees. If it is necessary for us to review additional drafts we may charge additional fees to cover any resulting extra staff time.

Based on the above, our fee for the audit of the financial statements of St Raphael's Hospice, incorporating an inflationary rise of 3.5%, and one-off additional work needed towards the Daughters of the Cross of Liege transactions, will be £26,875 (2025: £25,000). This fee is stated exclusive of VAT and disbursements.

We propose to submit an initial interim fee of £7,000 at the time of issuing this planning report and subsequent fees of £14,000 at the end of the main fieldwork and the final balance of our fees on completion.

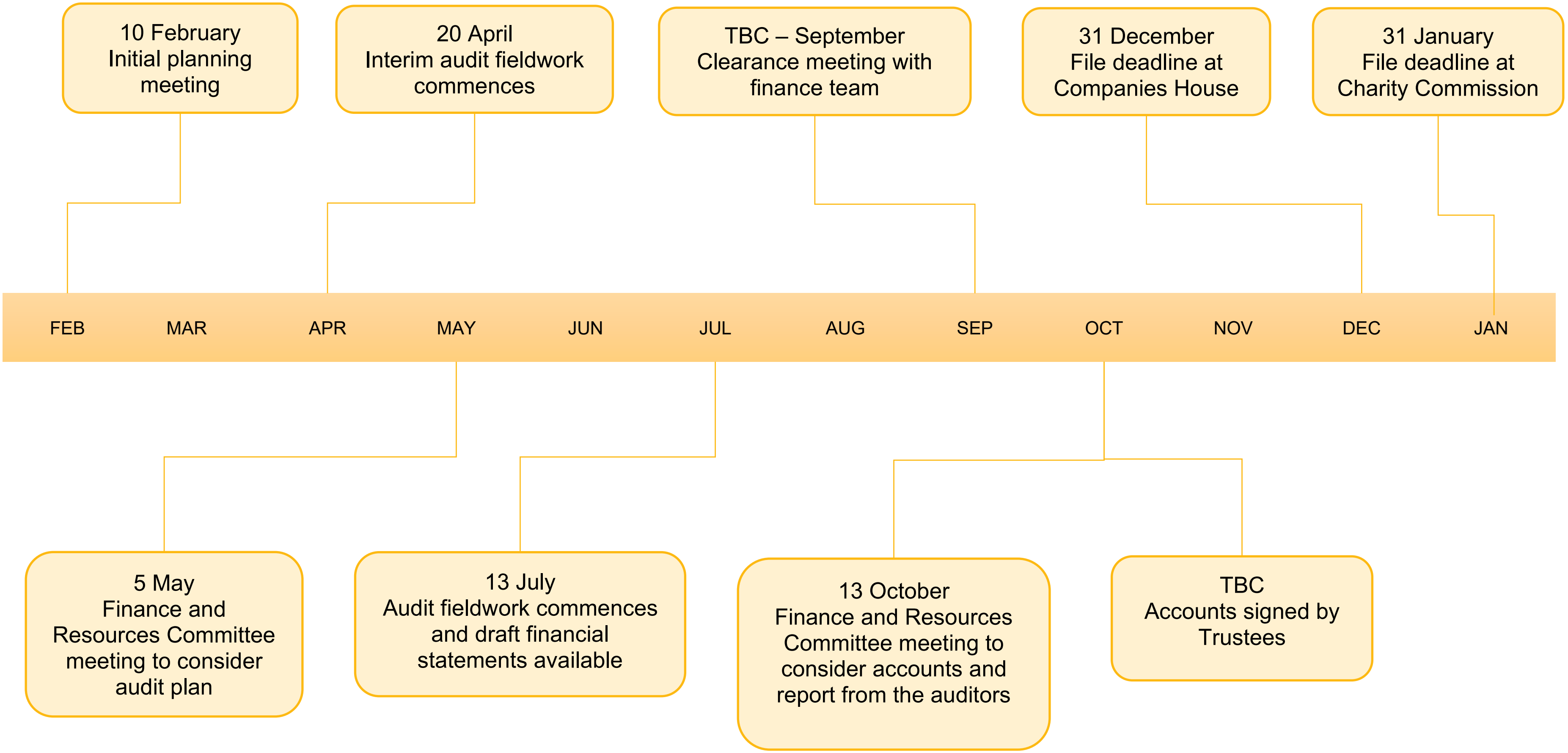
To assist you in providing the required information, we have provided a separate list of audit deliverables to the St Raphael's Hospice finance team.

Our deliverables to you

In addition to carrying out the necessary audit procedures in accordance with International Standards on Auditing we will provide to you the following.

- Statutory audit reports on the financial statements of St Raphael's Hospice.
- This Audit Planning Report to confirm the details of the planned timing of our audit and related year-end meetings, to confirm the key members of your audit team and their independence, and to summarise our audit approach and any specific issues relevant to our audit which we have identified from our initial discussions with St Raphael's Hospice's finance team or elsewhere.
- An Audit Findings Report to summarise any key issues or adjustments identified during our audit which have impacted on the disclosures in, or required adjustment to, the draft financial statements together with comments on any weaknesses in St Raphael's Hospice 's systems and controls which come to our attention during our audit work on the annual statutory financial statements.
- Draft of the Representations Letter which we are required to obtain from the Trustees to confirm certain specific matters relevant to the completion of the statutory financial statements.

5. Audit timetable



Appendix 1 - Responsibilities and ethical standards

Scope of our audit

Our audit is a statutory requirement to ensure that the Trustees have properly discharged their legal responsibilities to prepare their annual report and the financial statements in accordance with the applicable legislation and financial reporting requirements.

As your auditor we are required to obtain sufficient evidence to enable us to report as to whether the financial statements of SRH give a true and fair view of the financial performance of the entity, are free from material misstatements and are compliant with the requirements of relevant legislation and applicable Financial Reporting Standards.

Your financial statements

The financial statements on which we are to report are your responsibility; our audit of the financial statements does not relieve management or the Trustees of their responsibilities for the financial statements and the Trustees must be satisfied that the financial statements give a true and fair view before approving them. Further details of your and our respective responsibilities are set out in our engagement letters dated 10 April 2025.

Directors' responsibilities

Under the provisions of the Companies Act, the Directors' Report is required to include a statement confirming for each director who was a director at the time of the approval of the financial statements that:

- they have each taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information; and
- so far as they are aware there is no relevant audit information of which the company's auditor is unaware.

Legal and regulatory disclosure requirements

In undertaking our audit work we will consider compliance with the following legal and regulatory disclosure requirements, where relevant:

- Charities Act 2011
- Companies Act 2006
- The Charities (Accounts and Reports) Regulations 2008
- The Charities SORP (FRS102)
- Financial Reporting Standard 102

We are not aware that any limitations will be placed on the planned scope of our audit.

Our audit approach

We will carry out our audit in accordance with International Standards on Auditing (UK) (‘ISA’s (UK)’). Overall, we seek to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, in order that we can report to the Trustees.

Our work will include such tests of transactions and of existence, ownership, valuation and completeness of assets and liabilities that we consider necessary for this purpose.

We will update our understanding of SRH including objectives, strategies, operations, governance structures, sources of incoming resources and related risks. We will also update our understanding of the classes of transactions, account balances, and disclosures to be expected in the financial statements. We will consider your selection and application of accounting policies and whether they remain appropriate, and your reasons for any changes thereto.

We will review your systems for the purpose of our audit and we will report to you any significant deficiencies in internal control identified during our audit which, in our professional judgment, are of sufficient importance to merit your attention after discussing them with management. Our audit should not, however, be relied upon to identify all systems deficiencies, which are your responsibility, and we shall only draw your attention to matters we have encountered as a part of our audit work.

We will also read the Trustees’ and any other information that will be included with the financial statements to ensure this is consistent with the financial statements.

We are required to confirm during our audit whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting SRH. We have not been made aware of any such issues from our initial discussions but will be requesting confirmation of this as part of the audit completion process.

Ethical Standard

We are required by the Ethical Standard for auditors issued by the Financial Reporting Council (‘FRC’) to inform you of all significant facts and matters that may bear upon the integrity, objectivity and independence of our firm.

Crowe U.K. LLP has procedures in place to ensure that its partners and professional staff comply with both the FRC’s Ethical Standard for auditors and the Code of Ethics adopted by The Institute of Chartered Accountants in England and Wales.

In our professional judgement there are no relationships between Crowe U.K. LLP and SRH or other matters that would compromise the integrity, objectivity and independence of our firm or of the audit partner and audit staff. We are not aware of any further developments which should be brought to your attention.

Independence

International Standards on Auditing (UK) require that we keep you informed of our assessment of our independence.

We confirm that we have not provided any non-audit services to the group. We have not identified any other issues with regards to integrity, objectivity and independence and, accordingly, we remain independent for audit purposes.

The matters in this report are as understood by us as at 27 February 2026. We will advise you of any changes in our understanding, if any, during our meeting prior to the financial statements being approved.

Appendix 2 - Internal controls and the IT environment

Obtaining an understanding of internal control relevant to the audit

Our audit tests will combine a review of St Raphael's Hospice's controls with tests of detail (substantive procedures) and analytical review procedures.

ISAs require us to document our understanding of your business and assess the risk of material misstatement. For controls considered to be 'relevant to the audit' we are required to evaluate the design of the controls and determine whether they have been implemented. The controls that are determined to be relevant to the audit are those:

- relating to identified risks (including the risk of fraud in revenue recognition) or other audit issues;
- where we are unable to obtain sufficient audit assurance through substantive tests alone; and/or
- where we consider it more efficient to obtain assurance through controls testing.

The results of our work in obtaining an understanding of controls and any subsequent testing of the operational effectiveness of controls will be collated and the impact on the extent of detailed audit testing required will be considered.

Obtaining an understanding your IT environment

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment, including the relevant applications, infrastructure, processes and personnel, relevant to the preparation of the financial statements.

This includes how information, data and resources relating to significant classes of transactions, accounts and balances flow through the IT system, any related accounting records and the financial reporting process. We also consider the resources required, including the applications, infrastructure, processes and personnel.

Our understanding is used to identify risks arising from the use of IT judged relevant to our audit and assess the relevant controls (ITGCs) in place to mitigate them. Examples of ITGCs include IT Governance, Access Management, IT Operations and Application Changes.

Our audit will include completing an assessment of the design and implementation of ITGCs where relevant to our audit. Where required for complex IT environments, for example where there are multiple automated processes or controls, we may engage our IT Audit team to perform this work.

Our audit work is not designed to provide assurance as to the overall effectiveness of the controls operating within St Raphael's Hospice, although we will report to management and the Finance and Resources Committee any recommendations on controls that we may have identified during the course of our work.

Appendix 3 - Audit materiality and communication of errors and adjustments

We do not seek to certify that the financial statements are 100% correct; rather we use the concept of “materiality” to plan our sample sizes and also to decide whether any errors or misstatements discovered during the audit (by you or us) require adjustment.

The assessment of materiality is a matter of professional judgment but consideration will be given to the highest cumulative error which would not threaten the validity of the financial statements. A matter is material if its omission or misstatement would reasonably influence the economic decisions of a user of the financial statements.

Whether adjustments are material to the “true and fair” view can only be judged in the particular circumstances of the items and their impact on the financial statements to which they relate. Materiality will be considered having regard to the overall financial statement totals, the relevant individual balance, the type of transaction and the disclosures.

Our overall audit materiality for the financial statements as a whole will take account of the level of activity by St Raphael’s Hospice and will be set at approximately 2% of income.

In addition, we will determine whether a materiality amount lower than this materiality level is applicable for any particular classes of transactions, account balances or disclosures.

We also set a level of materiality (‘performance materiality’) below the amount set for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality also refers to amounts set at less than the materiality level or levels for particular classes of transactions, account balances or disclosures.

We will, of course, discuss with your finance team all errors, other than those that are “clearly trivial”, that we discover during the course of our audit work. Where such errors would have an impact upon the numbers reported in the statutory financial statements, but are not significant in terms of our audit, we will ask management if they wish to adjust the financial statements.

We will bring to your attention all significant potential adjustments to the financial statements. We will not, however, bring to your attention matters that we consider to be “clearly trivial” and we therefore propose to only identify amounts greater than 5% of our audit materiality.

Appendix 4 - Trustees' Report and Financial Statements

Financial Statements and our audit

The preparation and presentation of the financial statements remains the responsibility of those charged with governance. However, our audit work will include reviewing the statements to ensure that they properly reflect the underlying financial records of the charity and also that they continue to be appropriately prepared in line with the requirements of the Charities SORP (FRS 102) and the requirements of the Charities / Companies Act (as applicable).

As part of our audit work, we will:

- Ensure there is a full audit trail from the trial balance to the financial statements.
- Review the financial statements against legal, regulatory and the SORP requirements and sector best practice.
- Review the processes operated by St Raphael's Hospice for identifying any related party transactions that might require disclosure.
- Review the latest copy of the risk register and ensure any key issues for the financial statements have been considered in the context of our audit, and appropriately managed in the context of St Raphael's Hospice's governance.

Trustees' Report

We expect that your Trustees' Report will include discussions of risks, outcomes, outputs and impacts and information on financial and non-financial KPIs.

Whilst we are required to review the report for any inconsistencies with the information included in the financial statements and to ensure that it reflects the SORP and other requirements, we do not audit the Trustees' Report. The responsibility for preparing the report rests with the charity's Trustees.

Although Trustees may seek the assistance of the charity's staff in drafting the report, the Trustees must approve the final text of the report. It is therefore important that Trustees have some assurance over the process which management have adopted in the collection and verification of the data included in the Trustees' Report.

It will also be important that St Raphael's Hospice continues to ensure consistency between the statutory Trustees' Report information and any information that is included elsewhere including on its website.

Governance Code

The Charity Governance Code was updated in October 2025 and a more interactive website is being launched by them in 2026. The Code can be found at: **https://www.charitygovernancecode.org/**

There are eight universal principles which describes expectations in a charity with 41 outcomes to show that governance is working well. All charities, regardless of size or complexity are expected to follow the principles to achieve the outcomes for each principles. For each principle and outcome there is now:

- A list of behaviours that support the charity's achievement.
- Policies, processes and practices.
- Evidence of good governance section.

The Governance Code encourages charities to publish a brief statement (a short narrative rather than a lengthy 'audit' of policies and procedures) in their annual report explaining their use of the Code and we therefore anticipate that you will be including an appropriate comment on this in your Trustees' Report.

Appendix 5 - External developments

We have summarised below some of the developments and changes in the charity sector over the recent period which we believe may be of interest and relevant to you. Please note that this information is provided as a summary only and that you should seek further advice if you believe that you have any specific related issues or intend to take or not take action based on any of the comments below.

We believe it is important to keep our clients up to date on the issues that affect them and, as a part of our ongoing communication, we regularly hold webinars and therefore encourage you to visit our website (https://www.crowe.com/uk/industries/webinars#nonprofit).or register to our mailing list (nonprofits@crowe.co.uk) to stay updated on these. Any webinars which you have missed remain available on demand on our website.

Governance

Governance Code

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New Code of Fundraising Practice (effective 1 November 2025)

The Fundraising Regulator became responsible for regulating fundraising in the UK in 2016 and therefore took over responsibility for the Code of Fundraising Practice. Since then, the code has been updated several times.

The updated code is designed to help fundraisers in three key areas and includes a list of top tips to help you in charities fundraising activity:

- Documenting your fundraising decisions
- Due diligence and fundraising
- Monitoring fundraising partners

The code has been shortened and is more principle based. Some instructions for charities which were previously considered as being overly restrictive have been replaced. For example, previously charities were instructed not pay fundraisers "excessive amounts" or by commission. This has been replaced with "give appropriate consideration to the approach you choose for paying fundraisers and whether this fits the values of your charitable institution".

As part of the introduction of the new code, the Fundraising regulator has provided additional guidance on fundraising events, fundraising on social media and online gaming and fundraising.

They have also produced guidance on handling cashless donations. A cashless donation means a donation of money made without using physical banknotes or coins. Cashless donations are commonly made by credit or debit card, Direct Debits, bank transfers or other types of electronic payment. They might be accepted during a variety of fundraising methods including face-to-face, online, and at staffed or unstaffed collections, for example. Also includes crypto currencies. The guidance provides guidance and top tips.

The regulator has also published new guidance to support charities using AI in fundraising aimed at helping fundraisers comply with the Code of Fundraising Practice when using AI and in light of the Charity Digital Skills report which shows significant number of charities using AI. The guidance takes a life cycle approach to using AI and therefore applies whether a charity is exploring if AI can support its fundraising or preparing to implement or already using AI. It is also relevant if the charity is working with third parties. It reiterates that trustees are ultimately accountable and therefore should be involved in strategic decisions relating to exploring or adopting AI and trustees should have the skills and be provided the necessary training to adequately evaluate the range of AI opportunities and risks.

Fundraising Regulator: Annual complaints report

The Fundraising Regulator has published its latest Annual Complaints Report which presents insights from casework alongside complaints reported by a sample of the UK's largest fundraising charities. This report analyses data for the period 1 April 2023 to 31 March 2024.

Misleading fundraising and misleading information continue to be the most complained about theme. This is a trend for the past three years in the 'complaints and a common cause for complaints' across different types of fundraising. Clear, considered wording in materials and scripts is a useful tool in managing this risk.

The report also highlights that: “Door-to-door fundraising has continued to be one of the more complained about fundraising methods to the regulator and sample charities. Complaints about door-to-door fundraising included concerns that vulnerable members of the public were being targeted; the legitimacy of the door-to-door fundraisers; and the time of day that fundraisers were knocking on doors. Agency use of subcontractors and sub-subcontractors can make it more challenging for charities to retain appropriate oversight and control of compliance with the relevant standards.” The Regulator had 26 self-reports submitted to them in 2023/24, an increase of 37% from the 19 organisations that self-reported in 2022/23. Investigations were opened into two self-reports relating to separate media articles regarding door-to-door fundraising.

The regulator has made the decision to pause collecting data from charities for part two of the Annual Complaints Report (ACR) for around two years. They have developed a new approach that will widen participation, deepen insights, and better reflect the sector’s needs. This new approach will also include separating our reporting on fundraising complaints from charities from their analysis of complaints they receive from the public for part one of the ACR.

Data (Use and Access) Act

The Data (Use and Access) Act https://www.gov.uk/guidance/data-use-and-access-act-2025-data-protection-and-privacy-changes received Royal Assent on 19 June 2025. It is a wide-ranging Act which includes provisions to enable the growth of digital verification services, new Smart Data schemes like Open Banking and a new National Underground Asset Register. It also includes important changes to the UK’s data protection and privacy legislation.

The DUAA will not replace the UK General Data Protection Regulation (“UK GDPR”), Data Protection Act 2018 or the Privacy and Electronic Communications (EC Directive) Regulations 2003, but it makes some changes to them to make the rules simpler for organisations, encourage innovation, help law enforcement agencies to tackle crime and allow responsible data-sharing while maintaining high data protection standards.

Key changes are on:

- Automated decision making
- Subject access
- Children’s Protection Services
- Scientific Research
- Recognised legitimate interests
- International Data Transfers
- Responding to Complaints
- Storage and Access Technologies
- Changes to the law on the areas which regulate law enforcement processing and processing by intelligence services.

The changes will be commenced in stages and exact dates for each measure will be set out in the commencement regulations.

Or particular interest to charities is the changes to ‘soft opt-in’ which will happen in the coming months. These changes are expected to benefit charities by enabling more contact with supporters but will only apply to electronic mail marketing and rely on the ‘legitimate interest’ lawful basis. Thee are some nuances to this and whilst ‘soft opt-in’ has not yet started, the Fundraising Regulator recommends that charities should start to prepare.

https://www.fundraisingregulator.org.uk/news/fundraising-regulator-publishes-information-what-charities-need-know-about-changes-soft-opt

CC 11 Charities paying a trustee or a connected person: Understand the rules

While the rules on trustee payments have not changed, the Charity Commission has refined its guidance on paying a trustee (‘CC11’) to make it clearer and better help trustees navigate the law.

CC11 is now split into sections covering paying a trustee or connected person for goods or services, payments for loss of earnings, employing a trustee or a connected person, paying a trustee to carry out trustee duties and other payment types.

Trustee payments

The underlying rules on trustee payments have not changed. The redesigned guidance continues to stress that it must be clearly in the charity’s best interests to pay a trustee (or person connected to them), with all other options having been carefully considered, and the resulting conflict of interest managed. Additionally, a charity must have legal authority to pay.

The guidance also covers payment for trustee expenses clarifying that these do not constitute trustee ‘payments’ and that trustees are entitled to have their reasonable expenses reimbursed by the charity which includes travel and accommodation costs but may also include costs for things like childcare or adjustments enabling those with disabilities to conduct their role.

You can view the news article **here**.

Trusteeship – a positive opportunity

The Charity Commission with Probono Economics have carried out a **national survey** of charity trustees, which whilst does not have any recommendations does have findings and insights which are valuable to all those interested in charity governance.

Key takeaways from the research are:

- 80% would recommend it to others with many reporting experiencing multiple and profound benefits
- 94% believe their contributions to board meetings are heard and respected
- 93% feel valued and supported by fellow members of the board and that 91% that their contributions are welcomed and respected by staff and volunteers
- 95% have a strong understanding of their role and responsibilities and feel confident sharing their views in board meetings
- Older people currently fill most of the trustee roles and there are still more male than female trustees, with smaller charities having more female trustees proportionally.
- People from an Asian background, people of mixed ethnicity and other ethnicities are less likely to hold trustee roles, in comparison with the general population.
- There are proportionally more trustees in those under 60 who are Black (7% compared to 5% in the population) and proportionally fewer who are Asian (5% compared to 11%).

The majority of trustees surveyed reported serving on boards of between four and 10 members (74%). Just over one in 10 (12%) trustees reported being on a board with three members or fewer.

The survey found the majority of the trustee population have served on their boards for four years or more (55%). 22% have been a member of their board for more than 10 years, with just 36% having been a member of their board for two years or less. 13% were new to their board, having been a member for less than a year.

There is a mixed picture of skills present at the board level with most trustees reporting significant skills and experience in service delivery. While many trustees reported their board had significant finance skills and experience (59%), there is an overall low prevalence of artificial intelligence (AI) skills for the trustee population (8%).

State of the Sector

The Charity Commission has released its latest annual report on public trust in charities. The findings indicate that trust levels have improved with over 6 in 10 people believing donations are reaching their intended cause and confidence increasing by 7% in 12 months.

However the percentage of people donating or raising funds for charity fell from 62% to 48% over the past year due to cost of living pressures resulting in nearly half of charity trustees stating their charity had been forced to make changes including 11% stopping some services and 17% using more of their reserves than expected.

The report, which includes interviews with a diverse range of the public, reveals that overall participants value transparency, accountability and clear communications about how funds are used whilst expressing concerns about mismanagement, high executive salaries and scepticism about some types of fundraising. For more details, see the full report here.

NCVO estimates that NI increases cost the charity sector £1.4billion. All costs cannot be passed on to a consumer so the impact is that ultimately there will be cuts to services and beneficiaries.

The Charity Finance Group (‘CFG’) surveyed 54 charity leaders in October 2025 and found that the financial health of many charities has declined markedly over the past year. 56% of respondents reported their finances are slightly worse than in October 2024, while a further 21% say they are significantly worse. Half of all respondents recorded a deficit in 2024/25 for at least the second year running, while 12% faced deficit for the first time. Among the 37% maintaining a surplus it was noted this was only achieved through unsustainable measures such as selling property assets or receiving one-off endowments that masked underlying deficits.

Respondents said the rise in ERNICs was a major cost driver, with 46% of charities saying this was causing ‘a major impact’. CFG also reports that charities said they were also struggling with the triple whammy of high inflation (96%), increased energy costs (49%) and the rise in the National Living Wage (59%), which are ‘hitting simultaneously, causing unprecedented financial strain which, in some cases, is insurmountable.’

Charities have been forced to make not fill vacancy or make redundancies or cancel plans for new hires, and more than one in five (22%) have frozen or reduced salaries.

There has also been a major impact on beneficiaries with more than a fifth of the respondents having reduced or closed services, while 25% have cancelled plans for new services. CFG reports that: “Among those who haven't yet taken such measures, the warnings are ominous: "Not yet – but currently considering options," said one respondent. Others echoed: "But we are considering it in 2025/26" and "Not yet but we are planning to do so in 2026.""

There is worsening outlook with nearly two-thirds of charities (63%) anticipating the need for further cost-reduction measures in the next six to 12 months and just one fifth believing they probably or definitely won't need to take additional action.

Smee & Ford legacy giving report 2025 reported record legacy income of £4.5 billion in 2024, marking a 9% increase. The biggest contributing factor to growth in 2024 was as a result of HMCTS reducing the backlog of estates. Residual gifts were worth an average of £65,000 whilst pecuniary gifts are worth £4,500. Health remained the largest recipient by sector (40%) followed by the animal sector at ~16%. In both sectors a small number of charities account for the majority of gifts. The report highlights that 21% of the bequests were made by baby boomers and legacy income is forecast to hit £5.1bn by 2030 growing by 2.8% annually. there is further growth anticipated from Baby Boomer bequests with an increase in annual deaths expected to rise to over 730k by 2035 translating to 47,000 charitable cases per annum in the years to come. The report also considers the potential impact of IHT changes on bequests with a positive impact if more people consider reducing their IHT bill by taking advantage of charity tax relief or it may be negative impact if more money is given to potential beneficiaries before death to reduce the tax bill.

Additionally, the CAF UK Giving Report 2025 revealed that donations reached £15.4 billion in 2025, up from £13.9 billion in 2024. However, donations and sponsorship levels are at the lowest recorded by CAF and compared to 2019 there were four million few donors and six million less people providing sponsorships, with 16-24 year olds seeing the greatest decline of all age groups. There is also a decline of 1.5 million adults volunteering compared to 2023. The report also has some interesting statistics around donations contributing to core costs with only 25% being happy to pay for the salary of functions like Finance and HR.

Finding and appointing new trustees (CC30)

In a recent **report** published by the Charity Commission and Probono Economics, it was revealed that only 6% of trustees applied for their roles through an advert, and that more than half the charities relied on personal contacts.

Subsequently, the regulator has refreshed its **guidance** to focus on practical steps charities can take to connect with a broader range of candidates. They also recommend considering a skills audit to identify what the charity needs from its trustees. The guidance makes it clear that trustees can pay for a recruitment service but also signposts a range of free resources. There is also a section on induction to help with retaining good trustees and making them more effective.

The Future Charity Chair

Crowe are pleased to have been involved in a research project looking at the essential attributes that Charity Chairs of the future will need to embrace. This research explored the topic through roundtable discussions and in-depth interviews, with the final thought leadership report published in June 2024.

The research aimed to:

- Contribute ideas that will help to shape the future development and recruitment of charity Chairs.
- Enhance the future sustainability of the charity sector by highlighting longer term considerations for Board discussion.
- Provide fresh thinking to positively influence regulation and best practice guidance for the sector.

- Emphasise the value of good charity governance and the need for it to continually evolve to remain relevant.

The research highlighted a number of key findings, including challenges from a lack of diversity within charities (including trustees, staff and volunteers), and the need to recruit individuals who represent the charity's beneficiaries.

Recommendations raised within the report include developing a leadership development programme for current Chairs, succession planning and a need to promote the role as one of ambition and aspiration.

The full report can be found here.

Building Resilience: Responsive strategies in uncertain times

It is now accepted thinking that the uncertainty of the past few years is here to stay due to global economic uncertainties, geopolitical instability and as a result of rapid technological change.

These continuing challenges signal a new normal which requires all organisations to adapt to survive and thrive. Whilst there have been uncertainties in the past, the level and number has increased as has the speed with which these will impact an organisation.

For non profit organisations, the ever-present challenge is how they can deliver their mission in times of growing demand amid a squeeze on income and rising costs. It becomes even more imperative for boards and the leadership teams to continue to focus on organisational purpose, impact and culture. Juggling competing priorities often results in a lack of focus on matters related to climate risks or EDI and ESG. It is key that organisations focus on strategy at different time horizons to avoid falling behind the curve.

Further information can be found on our Insights page here.

Charity Commission: Updated guidelines CC48 and CC27

CC48: Charity Meetings

The CC48 guidance from the Charity Commission, updated July 2024, provides essential rules for charity meetings that must be adhered to. The guidance emphasises the necessity for charities to adhere to their Governing Document rules on planning, running and recording meetings.

The Governing Document must be amended where rules are outdated to ensure decisions made in meetings are valid. For example. CC48 provides specific guidance on updating the Governing Document to allow for virtual and hybrid meetings. It also covers different types of meetings, such as trustee meetings and Annual General Meetings (AGMs), each with their own rules that must be followed.

CC48 can be found here.

CC27: Decision Making for Trustees

The CC27 guidance from the Charity Commission outlines seven principles and best practices for trustees on decision making.

The seven decision-making principles are:

1. Trustees must act within their powers
2. Trustees must act in good faith
3. Trustees must be sufficiently informed
4. Trustees must take account of all relevant factors
5. Trustees must identify and disregard irrelevant factors
6. Trustees must manage conflicts of interest
7. Trustees must ensure their decision is within the range of decisions that a reasonable trustee body could make

This guidance provides detail on each principle but particularly when making significant or strategic decisions and how to record the decisions made.

Whilst CC27 applies specifically to all trustees of all charities in England and Wales -whether registered, unregistered or exempt, including corporate charity trustees – the guidance can be useful for other members of the charity to be aware of in considering in their decision making.

CC27 can be found here.

The Charities Act 2022: Implementation

The Charities Act 2022 (the Act) received Royal Assent on 24 February 2022 and brings into force a number of key changes to the Charities Act 2011, aimed at simplifying a number of processes.

The Charity Commission are currently working through implementing the various changes brought about by the legislation, and set out an indicative timetable here. Most of the provisions have now come into force.

Provisions of the Act in force that came into force on 31 October 2022

- Section 5: Orders under section 73 of the Charities Act 2011
- Section 8: Power of the court and the Commission to make schemes
- Section 32: Trustee of charitable trust: status as trust corporation
- Section 36: Costs incurred in relation to Tribunal proceedings etc
- Part of Section 37: Public notice as regards Commission orders etc.
- Part of Section 40 and Schedule 2: Minor and consequential amendments

Provisions of the Act that came into force on 14 June 2023

- Sections 9-14 and 35a: Permanent endowment
- Sections 17, 19-22: Charity land
- Sections 25-28: Charity names
- Section 38 and 39: Connected persons
- Part of Section 40 and Schedule 2: Minor and consequential amendments

Provisions of the Act that came into force on 7 March 2024

- Section 1-3: Charity constitutions
- Sections 18* and 23: Charity land
- Section 24 and Schedule 1: Amendments of the Universities and College Estates Act 1925**
- Section 29: Powers relating to appointments of trustees
- Section 31: Remuneration etc of charity trustees etc
- Sections 33, 34 and 35(b): Charity mergers
- Section 37: For remaining purposes
- Section 40 and Schedule 2: For remaining purposes

* Section 18(1) (in part), (2)(a), (2)(c) and (3)(a) will come into force on 7 March 2024. Due to the provisions being linked to section 24 and Schedule 1, section 18(1) (for remaining purposes), (2)(b) and (3)(b) will come into force on 19 May 2025.

** Section 24 and Schedule 1 will come into force on 19 May 2025.

Provisions of the Act that came into force on 27 November 2025

- Sections 15 and 16: Ex gratia payments

The key provisions of the Act that have been implemented to date are set out below, and further information can be found here.

How charities can make a moral, or ‘ex gratia’, payment (CC7) – Updated November 2025

The Charity Commission has updated its guidance for charities making moral or ‘ex gratia’ payments as a result of the changes to charity law. The changes should mean that fewer charities will need to ask the Commission for authority before making these payments.

Ex gratia payments are a payment that the trustee could reasonably be regarded as being under a moral obligation to make, but where:

- they are not under any legal obligation to do so
- the charity’s governing document does not have any powers which can be used to make it
- there are no other legal powers which the trustees can use, and
- the trustees cannot justify it as being in the best interests of the charity

Key changes which apply from 27 November are:

- The introduction of an objective legal test requiring that the trustees could reasonably be seen as being under a moral obligation - The basis for making a moral payment is that the charity has been ‘unjustly enriched’ and the trustees wish to make a payment, even though there is no legal obligation to do so. Put simply, the test is whether the trustees could reasonably be regarded as being under a moral obligation to make the payment. Examples are wills and legacies or someone donating money they could not afford. Section 9 gives examples

- self-authorisation: charities may not need to seek permission from the Charity Commission for small moral payments, provided specific criteria are met
- scaled financial limits: the maximum amount a charity can pay without the Commission's approval is based on its gross annual income from the previous financial year. Payments above this financial threshold still require Charity Commission authorisation. Income over £1m maximum individual payment allowed without CC authority is £20k; £250k to £1m income, max is £10k and t£25kto £250k income max is £2500 and below £25k income maximum is £1000. If above these limits then must apply to the CC.
- delegation of decisions: trustees can delegate the authority to make moral payment decisions to staff or committees, though trustees remain ultimately responsible

Whether or not these powers are available in relation to any proposed payment depends on the individual case and charity. For example, the new statutory powers may not apply if a charity's governing document or legislation explicitly restricts it.

Other types of payments

This section is about payments that are not moral payments because: you consider they are in your charity's best interests, but you are not under any legal obligation to make them e.g. enhanced redundancy

Check your charity's governing document. If it contains a suitable power you can use to make this type of payment, use that power. For example, trustees may be able to use a power for the trustees to do anything that is incidental to furthering the charity's purposes.

If the governing document does not contain a suitable power, you must get authority from the Charity Commission. The Commission:

- will only authorise this type of payment where you can demonstrate that the charity will receive a benefit from making the payment
- cannot authorise anything that is prohibited by your charity's governing document or the law

Making changes to governing documents

The Act introduces a new statutory power to allows trusts and unincorporated associations to make changes to their governing documents.

Charities will still however need to get the Commission's authority to make certain 'regulated alterations' in the same way as companies and Charitable Incorporated Organisations (CIO).

Other related changes include:

- how unincorporated charities must pass trustee and (where they have members) member resolutions when using the new power
- that the Commission will apply the same legal test when deciding whether to give authority to charitable companies, CIOs, and unincorporated charities changing their charitable purposes
- a power for the Commission to give public notice to, or to direct charities to give notice to, regulated alterations they make

The Commission have updated CC36 to reflect these changes, which can be found here.

Selling, leasing or otherwise disposing of charity land

The following provisions are now in force:

- provisions relating to disposals by liquidators, provisional liquidators, receivers, mortgagees or administrators
- provisions relating to the taking out of mortgages by liquidators, provisional liquidators, receivers, mortgagees or administrators
- changes about what must be included in statements and certificates for both disposals and mortgages

Charities must comply with certain legal requirements before they dispose of charity land. Disposal can include selling, transferring or leasing charity land. The Act simplifies some of these legal requirements. The changes include:

- widening the category of designated advisers who can provide charities with advice on certain disposals
- confirming that a trustee, officer or employee can provide advice on a disposal if they meet the relevant requirements

- giving trustees discretion to decide how to advertise a proposed disposal of charity land
- removing the requirement for charities to get Commission authority to grant a residential lease to a charity employee for a short periodic or fixed term tenancy

The Commission have updated CC28 to reflect these changes, which can be found here.

Payments to Trustees for providing goods to the charity

Charity Commission guidance: How charities can respond to the current hostile environment

A report published by NCVO shows Charities' employees, volunteers and beneficiaries are feeling "increasingly unsafe" against a backdrop of growing hostility, fear and operational disruption linked to growing social and political division around the UK. Four major areas of concern were identified: "a pervasive climate of fear", "operational disruption and forced invisibility", "direct targeting and abuse" and "increasing internal tensions within organisations". This report was cited by Mark Sims outgoing interim Chair of the Charity Commission in his speech which is on the Commission's website here.

The guidance aims to provide clarity, practical steps, and reassurance to help charities navigate difficult circumstances

The Charity Commission states that it will always be clear about the right of charities to campaign in support of, or opposition to, specific policies where this furthers their purposes and is in the charity's best interests. Reporting of SIRS reiterated but must also:

- follow your relevant policies and procedures that keep people safe
- act quickly, ensuring you stop or minimise any further harm or damage
- plan what to say to those involved with your charity and the media if appropriate
- report it to all relevant agencies and regulators when required

Charities should keep the security and safety of their staff, visitors and premises under regular review and consider whether further protective

The Charities Act 2011 provided a statutory power for charities, in certain circumstances, to pay trustees for providing a service to a charity beyond usual trustee duties.

The Act extends this power to allow, in certain circumstances for payments to trustees for providing goods to the charity.

Updated guidance can be found here.

The Charity Commission has also updated its guidance CC29 'Conflicts of interest: a guide for charity trustees' and CC11 'Trustee expenses and payments' to reflect these changes. See above for further details.

measures are necessary and are best placed to assess and respond to any increased risks.

The full guidance is available here.

Compliance

Duty on employers to prevent sexual harassment at work

The Worker Protection (Amendment of Equality Act 2010) Act 2023 received Royal Assent on 26 October 2023, and came into force on 27 October 2023, and introduces a new duty on employers to take reasonable steps to prevent sexual harassment of their employees in the course of their employment. 'In the course of their employment' covers activities outside of the workplace, for example work social events.

The new duty to prevent sexual harassment will be enforceable by an employment tribunal, where the tribunal has first upheld a claim for sexual harassment. A tribunal will have the discretion to award a 'compensation uplift' by increasing any compensation it awards for sexual harassment by up to 25% where there has been a breach of the employer's duty in sexual harassment cases.

The Equality and Human Rights Commission's guidance on sexual harassment and harassment at work contains steps employers should consider taking in order to prevent and deal with harassment at work. These steps include having an effective and well communicated anti-harassment policy in place and maintaining a reporting register of complaints for all forms of harassment.

A copy of the guidance can be found here.

Updated guidance on serious incident reports

This guidance has been updated to provide examples of what to report to the Commission if a charity is facing unacceptable experiences such as harm to their charity or people associated with it which includes charity's beneficiaries, staff, volunteers or others who come into contact with your charity through its work.

Failure by trustees to sufficiently manage safeguarding risks is of serious regulatory concern to the Commission and may be considered to be misconduct and/or mismanagement. It can also damage public trust and confidence in charities and impact upon the sector as a whole.

A copy of the guidance can be found here.

The Economic Crime and Corporate Transparency Act 2023

A new failure to prevent fraud offence has been introduced by the Economic Crime and Transparency Act 2023. It will apply to all large corporate entities, including charitable companies, Royal Charters and CIOs.

When considering the size criteria it is worth noting that the legislation references the financial year of the entity that precedes the year of the fraud offence.

An offence is committed where an employee or agent commits fraud. The penalty is an unlimited fine for the organisation, and no personal liability will be introduced for trustees or management failure to prevent fraud.

The legislation is far reaching, and where an organisation operates or is based overseas, if an employee commits fraud under UK law or affecting UK victims, the company can be prosecuted.

There is a defence to the failure to prevent economic crimes if the organisation can prove that it had reasonable prevention measures in place, or that it was not reasonable in all the circumstances to expect it to have had any procedures in place.

The guidance for the new corporate criminal offence of "failure to prevent fraud" has been published by the UK government. The Act aims to hold large organisations accountable if they benefit, or there is an intention to benefit, from fraudulent activities conducted by their employees, agents, subsidiaries, or other associated persons. Organisations have to put in place proactive measures and reasonable procedures to provide a defence to criminal liability for failing to prevent fraud and other economic crimes by associated persons.

The offence sits alongside existing law; for example, the person who committed the fraud may be prosecuted individually for that fraud, while the organisation may be prosecuted for failing to prevent it.

The offence, which will come into effect on 1 September 2025, applies to all large incorporated bodies, subsidiaries, partnerships, and large not-for-profit organisations such as charities if they are incorporated and Royal Charter. Whilst unincorporated charitable trusts may not be included, this guidance is considered as being best practice. It is important to note that the size criteria is considered in the year preceding the fraud offence. An organisation will be criminally liable if an associated person commits fraud intending to benefit the organisation such as through dishonest sales or commercial practices, hiding important information from consumers or investors, or dishonest practices in financial markets.

The guidance sets out six principles that should inform fraud prevention frameworks put in place by organisations in order to comply with the law - top level commitment, risk assessment, proportionate risk-based prevention procedures, due diligence, communication (including training), and ongoing monitoring and reviews.

Risk assessments must fully consider the potential for relevant economic crimes to be committed. These include but are not limited to fraud. Onboarding of employees and 'associates' must be reviewed and mitigation measures put in place. Sufficiency of training which is properly tailored to the particular employees involved is increasingly an area of regulatory focus and must also be part of the policies and procedures put in place here.

Full details of the guidance can be found here. Crown Prosecution Services and the Serious Fraud Office have published updated joint guidance on corporate prosecutions. https://www.cps.gov.uk/legal-guidance/corporate-prosecutions.

Another aspect of the Act is to improve the accuracy and quality of data filed with the Registrar of Companies, helping to tackle economic crime and boost confidence in the UK economy.

From a company secretarial point of view, the most significant change introduced by the Act is the reform of Companies House.

Key changes

Registered office address to be 'appropriate'

All companies must now have an 'appropriate address' as their registered office. This means that documents sent to the registered office address will reach someone acting on behalf of the company and that delivery can be acknowledged. Companies are not allowed to use a PO Box address. In the event of non-compliance, Companies House will change the registered office address to a default address.

Registered email address

Both existing and new companies must provide Companies House with a registered email address for communication purposes. This information must be included when filing the next confirmation statement with a statement date of 5 March 2024 onwards or at the time of incorporation. A new company cannot be incorporated without this information, and existing companies will not be able to file a confirmation statement without it.

Statement of lawful purpose

After 4 March 2024, new companies must confirm that they are being incorporated for a lawful purpose. Existing companies will need to confirm annually in the confirmation statement that their intended future activities will be lawful.

Broadening of Registrar's powers

The Registrar will have enhanced powers to question information filed at Companies House and request additional information to ensure that documents are timely, accurate, and not misleading. Companies House will have greater authority to scrutinise, query, and reject information that is filed or is in the process of being filed.

Authorised Corporate Service Provider (ACSP)

Under new identity verification measures, most documents filed at Companies House must be delivered by an ACSP. This includes incorporations, officer appointments (directors, secretary, members of LLP, partner of LP) and PSC appointment. This means if you are filing these documents with Companies House then you will need professional corporate service providers to do this for you or you will have to follow the additional identity verification steps to be introduced by Companies House.

Changes to be introduced to Company Accounts

To modernise and digitise filing routes, all accounts must be filed with Companies House using commercial software from 1 April 2027. This includes dormant accounts. The number of times a company can shorten its Accounting Reference Period will be reduced. Small companies will be required to file a profit and loss account and a directors' report, while micro-entities will need to file a profit and loss account. The option to file abridged accounts will be removed, and companies claiming an audit exemption will need to provide an additional eligibility statement. The Charity Commission has signalled that it will also move towards digital filing in due course.

Restrictions on the use of corporate directors

All directors (or director equivalents) of the entity that have been appointed as a corporate director must be natural persons, and those natural person directors must have undergone an appropriate identity verification process. Historically, any corporate entity could be appointed as a corporate director of a UK company. However, moving forward, only UK-registered entities will be eligible for appointment as corporate directors, and all directors (or director equivalents) of such entities must be natural persons. Companies with existing corporate directors will be given 12 months to comply; within that time, they must either ensure their corporate director is compliant with the principles or resign them.

Considering the recent changes introduced by the Act, boards of directors will need to review their current processes for filing at Companies House, adopt new systems for verifying filings, monitor identity verification requirements, introduce new policies on director changes, and review the appropriateness of the company's registered office address.

Technology

Cyber security breaches survey 2025

On 10 April 2025, the government published the results of its [Cyber security breaches survey 2025]. It's clear from the results that cyber security breaches and attacks remain a common threat.

Headline statistics from the report include:

- Just over four in ten businesses (43%) and three in ten charities (30%) reported having experienced any kind of cyber security breach or attack in the last 12 months. This equates to approximately 612,000 UK businesses and 61,000 UK charities that identified a cyber breach or attack in the past year. This represents a decrease in prevalence among businesses compared to 2024 (where 50% experienced a breach or attack, equating to 718,000 businesses).
- Of businesses or charities that experienced a breach or attack in the last 12 months, phishing attacks remain the most prevalent and disruptive type of breach or attack (experienced by 85% of businesses and 86% of charities). The qualitative interviews highlighted that phishing attacks were often cited as time-consuming to address due to their volume and the need for investigation and staff training. The qualitative interviews also found that organisations had a growing consciousness that increasingly sophisticated methods, such as AI impersonation, were becoming mainstream.

Cyber hygiene

Encouragingly, small businesses showed improvement in several cyber hygiene practices, including showing an increased uptake of cyber security risk assessments (48%, an increase from 41% in 2024), cyber insurance (62% up from 49% in 2024), formal cyber security policy covering cyber security risks (59% up from 51% in 2024), and business continuity plans that address cyber security (53% up from 44% in 2024).

Conversely, high-income charities showed a decline in several key areas compared to 2024, including activities to identify cyber security risks (75% down from 86% in 2024), reviewing immediate supplier risks (21% down from 36% in 2024), and having a formal cyber security strategy in place (39% down from 47% in 2024). Insight from the qualitative interviews suggest this could be linked to budget constraints.

A formal cyber security strategy was in place for seven in ten large businesses (70%) and significantly fewer medium businesses (57%).

The majority of businesses and charities have implemented basic technical controls, such as updated malware protection (77% businesses and 64% charities), password policies (73% businesses and 57% charities), network firewalls (72% businesses and 49% charities), backing up data securely via a cloud service (71% businesses and 58% charities) and restricted admin rights (68% businesses and 68% charities). However, adoption of more advanced controls like two-factor authentication (40% businesses and 35% charities), a virtual private network for staff connecting remotely (31% businesses and 20% charities) and user monitoring (30% businesses and 31% charities) remains lower than other measures.

Staff training and awareness raising activities on cyber security were more prevalent in large businesses (76% compared to 19% businesses overall). Whilst a consistent increase among large businesses on this measure was observed in recent years, the proportion of large businesses in 2025 remains in line with 2024 (74%).

Cyber incidents - volunteers

Whilst M&S and the Co-Op cyber incidents have taken the majority of the headlines over the recent period, there is a need for charities to continue to focus upon this as a key risk. Cyber is often "red" rated on the risk register, but there is a need to break this down further into its constituent elements. The M&S attack has been reported as being initiated through social engineering, potentially through a third party supplier.

However, there have been a number of recent reports across our client base of attempted social engineering attacks on charities targeting (either directly (through spear phishing) or more general phishing activity in respect of volunteers with charity email accounts. The number of volunteer accounts can be considerable, including (but by no means limited to) committee members, INEs, retail workers, fundraising and those campaigning for the charity.

This can be a third party account which may have access to considerable data and may sit outside the charities established training and security controls. For example, a "VIP" list of key individuals who if subject to a security alert would trigger a targeted response is beneficial, but it's very unlikely volunteer accounts would be subject to such a response. In addition, there is the potential for volunteer accounts to not be used on a regular basis and as such, if successfully accessed may not be identified for an extended period.

As such, whilst not exhaustive, we'd recommend the following proactive actions:

- Consider how volunteer accounts are understood across the organisation, how are they obtained and importantly, closed due to inactivity.
- Consider how volunteer accounts are administered, including access levels, reviews of user access themselves and activity logs.
- Remind and engage with volunteers regarding cyber risks – use existing communication forums preferably through direct engagement rather than a general email. Discuss new risk areas, where voice technology and even deep fake images can be utilised.
- Consider if volunteers can be included in any false phishing campaigns

More generally, and as highlighted in the M&S case, ensure that you have considered the "Minimum Viable Charity" – what are the essential systems to either keep running or are the first priority to be restored in the event of an incident occurring.

NCSC publishes "Cyber Threat Report: UK Charity Sector"

The National Cyber Security Centre has published its annual report, outlining cyber threats currently facing charities of all sizes.

The 2024 DCMS Cyber Security Breaches Survey measures the policies and processes organisations have for cyber security; highlights the commonly perpetrated breaches and attacks and their impacts; and provides a number of recommendations and links to guidance to assist charities strengthen their defences.

The report revealed that 32% of UK Charities identified a cyber-attack in the last 12 months, an increase from the reported 24% in 2023, with phishing breaches being the most common. This increase has driven an increase in the deployment of various controls are procedures in businesses, such as:

- using up-to-date malware protection,
- restricting admin rights,
- network firewalls, and
- agreed processes for phishing emails.

The report notes that the charity sector is particularly vulnerable as they often hold significant amounts of sensitive or valuable data, making them attractive targets for cyber-attacks. Therefore, charities should consider adapting to the increasingly technical environment. This need for adaption is exemplified by cybersecurity being deemed high priority for 63% of charities, with 30% of Boards having explicit responsibility for cyber security, and 47% of high-income charities having formal cyber strategies in place.

A copy of the report can be obtained here.

Free digital service from National Cyber Security Centre

The National Cyber Security Centre has launched a free digital service, MyNCSC, which aims to enhance charities' cyber security approach. MyNCSC combines Active Cyber Deference (ACD) digital services, offering a unified experience tailored to each user's needs, including content, vulnerabilities, and alerts. The MyNCSC platform is a free service for UK registered charities, enabling organisations to access various ACD services, such as:

- early warning
- mail check, assessing email security compliance
- web check, finding and fixing common security vulnerabilities in the charity's website

There are plans to gradually increase the number of ACD services integrated with MyNCSC. MyNCSC offers a unified user interface for accessing multiple services promoting collaboration within organisations when managing digital assets and viewing findings.

Further information and guidance on how MyNCSC works can be found here.

Financial and other reporting

FRC Amendments to FRS 102

The Financial Reporting Council (FRC) issued amendments to financial reporting standards on 27 March 2024, the changes are mostly effective for accounting periods beginning or after 1 January 2026. This follows the consultation impact assessment during 2023.

The amendments include:

- a new model of revenue recognition in FRS 102 and FRS 105 based on the IFRS 15 five-step model for revenue recognition with appropriate simplifications
- a new model of lease accounting in FRS 102 based on IFRS 16 on-balance sheet model (again with appropriate simplifications)
- various other incremental improvements and clarifications

The SORP committee issued an Exposure Draft of the revised SORP for consultation, reflecting on the changes made to FRS102.

The consultation closed on 20 June 2025. The consultation documents can be obtained here. The New SORP is expected to be published in Autumn 2025. In the meantime, we strongly recommend that charities commence preparations for the changes being brought about by the two main amendments noted above in relation to revenue recognition and leases. We have produced guidance and a toolkit for charities for lease accounting which can be found here.

Dispelling common myths about charities

ICAEW, with input from Crowe, has published guidance exploring ten myths surrounding charities and their operations, with a view to encourage transparent communication in areas where these misconceptions are prevalent. The ten myths considered are:

- Charities spend too much on fundraising.
- They should not make a surplus or build up cash reserves.
- Too much is spent on highly paid executives.
- They should not undertake commercial activities.
- Charities should be run and staffed [for free] by volunteers.
- Too much is spent on overheads.
- Charities don't pay taxes, so need less money.
- Professional qualifications are needed to become a charity trustee.
- Charities are less vulnerable to fraud than other organisations.
- Charities should not engage in campaigning and political activity.

The guidance includes access to a webinar discussing some of the key myths with voices from the sector.

The Guidance can be found here.

Charity Digital Skills report

The Charity Digital Skills annual report, now in its ninth year, continues to serve as an essential measure of the charity sectors' digital proficiency, attitudes, and behaviour. As charities face ongoing challenges from the cost-of-living crisis and adapt to a rapidly changing digital landscape, this report aims to highlight how charities are increasingly leveraging digital tools and identifying key trends.

The report highlights that:

- 44% of charities have a digital strategy which has declined from 50% last year and 63% making progress with digital compared to 76% last year.
- Developing a strategy for digital, data or AI is a priority for 49% of charities but the biggest barrier charities face when looking to progress is squeezed organisational finances (69%); funds to invest (64%) and a lack of headspace (63%)..

The top areas that charities need support in relation to data are:

- Using AI tools to analyse data (45%).
- Storytelling with data (42%, down from 48% last year).
- Website and social media analytics (38%, falling from 43% in 2024).

The report can be found here.

Charity Commission: Guidance on accepting donations

In March 2024, the Charity Commission published new guidance to help charities when deciding whether to accept, refuse or return a donation.

The guidance explains when donations must be refused or returned and when these might likely need to be refused or returned. The guidance makes clear that trustees should start from a position of accepting donations, but from time to time a charity may face a difficult decision as whether to refuse or return a donation. The guidance sets out an approach for trustees to take on these occasions, advising they:

- consider the risks involved in refusing or returning the donation, and how likely and serious these are. These include negative financial impact, ability to deliver services and ability to attract donations in future
- consider the risks involved in accepting or keeping the donation, and how likely and serious these are. These include the likelihood of reduced support or reputational harm, particularly among supporters or beneficiaries
- determine how any decision aligns with their charity's purposes
- determine what steps they can take to mitigate the risks. These include negotiating the terms of a conditional donation with the donor or developing a public explanation for a decision

It explains that if a charity is considering refusing or returning a donation, the charity must have the legal power to refuse or return a donation. In some situations, there are additional legal rules to consider e.g. disposal or land or properties of a special trust.

The charity should also consider whether it needs to make a SIR when it refuses or returns a donation.

Ultimately, as the guidance states: "Deciding whether to accept, refuse or return a donation is likely to involve a careful balancing exercise. There may be no right or wrong answer, but your decision must be rational and reasonable, and supported by clear evidence."

The full guidance can be obtained here.

Taxation

Budget 2025: VAT Relief for Charity Donations

A major VAT reform announced in the Budget will make it easier for businesses to donate surplus goods to charities. Starting 1 April 2026, donations to registered charities will no longer trigger VAT on a "deemed supply" basis – removing a significant barrier that previously led many firms to destroy stock rather than donate.

The relief will operate on a two-tier valuation system:

- £100 per-item limit for most goods.
- £200 per-item limit for essential items (white goods, furniture, computers, phones, tablets).

This change is expected to unlock millions of pounds' worth of goods for charities and reduce landfill waste.

Eligibility is strictly limited to registered charities, meaning community interest companies (CICs) and social enterprises are excluded unless they register as charities.

Charities tax compliance

As part of the Autumn Budget 2024, the government published a response to their consultation on charities tax compliance. The original consultation, published in April 2023, received responses from 33 stakeholders in the charity sector including Crowe UK.

The consultation addressed four key areas of tax compliance for charities. A summary of these areas and the proposed changes to tax legislation, all of which will take effect from April 2026, are outlined below.

Preventing donors from obtaining a financial benefit from their donation

The issue: Existing legislation on Tainted Charity Donations does not have a wide enough scope to capture all possible arrangements between charities and donors that could be used to exploit tax reliefs on charitable donations for financial advantage.

The change: The legislation will be amended to lower the bar for challenging transactions, and the current motive test will be replaced with an outcome test. This is expected to allow HMRC to consider a series of transactions in the round and allow for a more objective assessment of the interactions between a donor and a charity.

Issues to consider: Charities may wish to assess any long term arrangements they have with donors in order to be ready to assess whether any changes will need to be made to these arrangements to minimise the risk of falling into the tighter scope of the new rules.

Preventing abuse of the charitable investment rules

The issue: Under current legislation, certain types of investment qualify automatically as approved charitable investments, irrespective of how the investment is actually used.

The change: Legislation will be amended so that all investments (as opposed to only 'Type 12' investments under current legislation) must be demonstrably for the benefit of the charity and not for the avoidance of tax. Investments which do not meet this test will not be approved charitable investments and may lead to a tax exposure.

Issues to consider: Charities may wish to review their investment policies for all types of investment to ensure that sufficient evidence will be available in the event of an enquiry to demonstrate that all investments are made for the financial or charitable benefit of the charity. Further guidance on approved charitable investments is available here.

Closing a gap in non-charitable expenditure rules

The issue: The non-charitable expenditure rules under current legislation do not account for legacy income as a type of 'attributable income'. This provides scope for charities to use legacy income for non-charitable purposes without incurring a tax charge.

The change: Legislation will be amended so that income which is relievable in either the charity's hands or the donor's hands will be included within the 'attributable income' definition.

Issues to consider: Charities should assess their proposed expenditure from legacy funding to ensure that this will not fall within the tax law definition of non-charitable expenditure. Further guidance on non-charitable expenditure is available here.

Sanctioning charities that do not meet their filing and payment obligations

The issue: Some charities are persistently failing to meet their tax compliance obligations whilst also taking advantage of reliefs and exemptions available to them as charities.

The change: The Fit and Proper Persons test will be amended so that a manager of a charity who persistently fails to comply with the charity's tax obligations will fail the management condition. This may ultimately lead to the loss of recognition as a charity for tax purposes and to the loss of charitable reliefs and exemptions.

Issues to consider: Charities may consider appointing a suitable official to be responsible for ensuring compliance with the charity's tax compliance obligations, including the filing of tax returns which are in many cases requested on a rotational basis from charities.

Draft legislation covering the first three of these four key areas was published on 21 July 2025 and is available here.

Guidance around 'authorised official'

According to a February 2025 update to HMRC guidance, charitable trusts completing a Trust and Estate tax return must have the return signed or countersigned by a trustee of the charity. See chapter 6.3.9: Chapter 6: Claims and returns - GOV.UK

Stamp Duty Land Tax

HMRC guidance has been updated to confirm that in circumstances where it is necessary to determine the market value of a land transaction for SDLT purposes, it is not necessary to obtain a formal valuation. This is a useful clarification particularly for charities receiving a transfer of land under an incorporation or merger, where the market value may be reportable even where no SDLT is payable due to charitable reliefs.

Digital Markets, Competition and Consumers Act 2024 (DMCCA)

Comes into force Spring 2026 with the aim of enhancing consumer protection and provide more enforcement powers to the Competition and Markets Authority. However there are worries that it may impact large membership charities, which have subscription/membership arrangements in place as it gives the public the right to cancel a subscription contract during a two-week "cooling off" period. The challenge is that it will allow members free entry to the site for a 14-day period before claiming refunds and it could jeopardise the ability to claim gift aid on memberships, which has until now been treated as a charitable donation by law.

Government has confirmed that legislation will be introduced to ensure that Gift Aid can still be claimed but in the meantime HMRC has updated its guidance to state:

"For membership schemes and contracts that are subject to consumer protection law, where a charity is required by those protections to provide a full or partial refund to a consumer, HMRC's interim position is that those refunds are an operation of consumer law and not a condition as to repayment for Gift Aid purposes. If a full refund is given by the charity then the donation ceases to qualify for Gift Aid as it is treated as never having been made at all. If a partial refund is made, the amount that has not been refunded may still be eligible for Gift Aid…"

The updated guidance includes new template end of year letters and details on the process for sending out these letters to donors.

The updated guidance can be seen in Chapter 3.42 here:

https://www.gov.uk/government/publications/charities-detailed-guidance-notes/chapter-3-gift-aid#chapter-342-claiming-gift-aid-when-goods-are-sold-by-and-the-proceeds-gifted-to-charities

Automatic Exchange of Information

With effect from 1 January 2026, most UK charities and Community Amateur Sports Clubs (CASCs) are effectively exempt from the registration and reporting requirements under the Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS) regimes for automatic exchange of information (AEOI).

These regimes are primarily concerned with the sharing of account holder information held by financial institutions between tax authorities of different jurisdictions, and are not primarily targeted at charities. However, UK charities have in some cases been capable of falling within the definition of a financial institution for the purpose of these regimes, particularly if the charity's investment income exceeds 50% of total income. Historically this has not in most cases led to any reporting requirements, because charities do not usually have any account holders, but recent legislation has introduced a requirement for all qualifying financial institutions with reporting status to register with HMRC by 31 December 2025, even if the entity does not have any account holders.

From 1 January 2026 a UK charity that is within the definition of a “Financial Institution” and which meets certain conditions will be a “Non-Reporting Financial Institution” and will not be required to register with HMRC for AEOI purposes. HMRC have stated in guidance that they accept that any charity or non-profit organisation that is a Non-Reporting Financial Institution from 1 January 2026 and which did not have any previous reporting requirements under the AEOI regimes does not need to comply with the above-mentioned requirement to be registered by 31 December 2025.

To qualify for this non-reporting status, the charity must meet the following conditions set out in sub-paragraph D(9)(h) of Section VIII of the CRS:

1. the Entity is established and operated in the UK exclusively for religious, charitable, scientific, artistic, cultural, athletic, or educational purposes; or it is established and operated in the UK and it is a professional organisation, business league, chamber of commerce, labour organisation, agricultural or horticultural organisation, civic league or an organisation operated exclusively for the promotion of social welfare;
2. it is exempt from income tax in the UK;
3. it has no shareholders or members who have a proprietary or beneficial interest in its income or assets;
4. the applicable laws of the UK or the Entity’s formation documents do not permit any income or assets of the Entity to be distributed to, or applied for the benefit of, a private person or a noncharitable Entity other than pursuant to the conduct of the Entity’s charitable activities, or as payment of reasonable compensation for services rendered, or as payment representing the fair market value of property which the Entity has purchased; and
5. the applicable laws of the UK or the Entity’s formation documents require that, upon the Entity’s liquidation or dissolution, all of its assets be distributed to a Governmental Entity or other Entity that meets the conditions set out in i) to v), or escheat to the government of the UK or any political subdivision thereof.

In addition, the charity must be:

registered as a charity with the Charity Commission of England and Wales, the Office of the Scottish Charity Regulator or the Charity Commission for Northern Ireland, or registered with HMRC for charitable tax purposes or as a CASC.

A copy of the guidance can be found here.

Retail Gift Aid

HMRC’s Retail Gift Aid guidance has been updated in November 2025. The updated guidance includes new template end of year letters and details on the process for sending out these letters to donors.

The updated guidance can be seen in Chapter 3.42 here.

Charities VAT compliance

Using a VAT trading subsidiary within a VAT group to apply VAT to care services

The issue: Revenue and Customs brief 02/2025 covered updated guidance in relation to using trading subsidiary in a VAT group to apply VAT to care services that would otherwise be VAT exempt. This planning has been adopted by a number of charities because its implementation improves VAT recovery on costs.

The change: HMRC will no longer allow VAT groups to include subsidiaries on this basis and will also seek to remove them from a VAT group where the reason for inclusion is deemed necessary to ‘protect the revenue’. Any charities using this planning need to review their current arrangements to consider what action should be taken. Please click here for more information and areas to consider if your charity has adopted this planning.

VAT exemption for fundraising events

The issue: Revenue and Customs brief 03/2025 provided information in relation to the exemption that covers fundraising events following the case of Yorkshire Agricultural Society.

The change: This potentially broadens the exemption as the Tribunal found that HMRC had been too narrow in its definition of the primary purpose of the event – this could mean that claim for overpaid VAT could be made to HMRC. Please click **here** for more information.

VAT Compliance Controls

HMRC issued very detailed guidance on VAT compliance and what they expect from taxpayers: Help with VAT compliance controls — Guidelines for Compliance GfC8 - GOV.UK

There is a lot of detail to wade through with ten different elements to consider. The overriding point HMRC seem to be making is that you must document the VAT risks and how you have reduced the risk of errors. We suggest that such processes and checks need to be recorded and checked.

“The guidelines set out HMRC’s recommended approach and are designed to help you understand our expectations as you plan, carry out, and review the accounting and compliance processes that ensure VAT is accurately declared by your business.”

HMRC would expect to see a Tax Control Framework / How you minimise Risk i.e. written processes / Documentation of Internal Controls. As HMRC are beginning to increase the level of taxpayer visits, we would expect them to ask for this documentation.

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