



Charities & Non-profit newsletter.

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150 YEARS



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UK company size limits are changing.

From April 2025, new regulations increasing company size thresholds and removing certain requirements from the Directors' report will be effective.

The uplift is part of a drive to cut complexity and reduce the reporting burden on companies. It accounts for the impact of inflation since the thresholds were set in 2013. Unfortunately there will be limited impact of these changes for charities: Charities will still be required to report under FRS 102, and therefore even if they fall under the thresholds of the micro entity regime they will not be able to take advantage of the reductions in disclosure. In addition there is no current proposal to move the charity audit threshold upwards, although the ICAEW appealed in March 2024 to the Minister for Civil Society for this to be reviewed.

However, company subsidiaries within small charitable groups may be able to take advantage the audit exemption available to small entities, where the charitable group is now defined as small within the revised limits.

A transitional provision is included in respect of these amendments. The effect is that when considering qualification as a particular company size by reference to a previous financial year, the amendments made by these regulations are treated as having applied in those previous years.

As a result companies and LLPs can benefit from

the new thresholds as soon as possible after the legislation comes into force.

New thresholds

The table below sets out the new size thresholds that will apply for a financial year if any two of the three criteria are met.

Changes to the directors report requirements

Large and medium sized entities will no longer have to include in their directors' report information on:

- financial instruments
- important events that have occurred since the end of the financial year
- likely future developments
- research and development
- branches outside the UK
- the employment of disabled people (this requirement is also being removed for small entities)
- engagement with employees
- engagement with customers and suppliers.

However, this again will have limited impact on charities who will continue to have to apply the SORP. And for large and medium charities, many of these directors' report requirements overlap with requirements of the strategic report and section 172 statements, so may not reduce disclosure significantly.

	Micro		Small		Medium	
	Old	New	Old	New	Old	New
Turnover not more than:	£632k	£1m	£10.2m	£15m	£36m	£50m
Total assets not more than:	£316k	£500k	£5.1m	£7.5m	£18m	£25m
Monthly average number of employees not more than	10	10	50	50	250	250

Protect your charity from cyber crime.

In November 2024, the Charity Commission announced that it had opened 603 cases relating to fraud and a further 99 cases relating to cyber crime. As part Charity Fraud Awareness Week, the Charity Commission published guidance 'Protect your charity from cyber crime' reminding charities how to protect themselves from cyber crime and a shorter guide on fraud, which was accompanied by a revised CC8 Internal financial controls for charities.

Cyber Crime is defined as any crime employing computers or the internet, including financial fraud or service disruption. Charities are attractive targets due to their digital systems and sensitive data. Cyber attacks can lead to financial loss, data breaches, and reputational damage. Types of Cyber Crime include:

- Phishing:** Fraudulent emails or messages tricking users into revealing sensitive data or clicking malicious links.
- Impersonation:** Fake websites mimicking real charities to steal donations.
- Malware:** Malicious software, including ransomware, which locks data until a ransom is paid.

What can charities do?

Reducing Risks: Charities should educate trustees, employees, and volunteers on cyber risks and preventive measures. This should include knowing what to do if, for example, a phishing email is received and how to keep their knowledge up to date. Cyber risks and responses should be incorporated into the general risk assessment. Risk assessments and responses should be proportionate to the data held and the activities of the charity. The guidance references to some specific resources that charities can use for guidance and training to foster cyber awareness.

Guidance and Training: The National Cyber Security Centre (NCSC) offers tailored guides and training for small, medium, and large charities to improve

cyber security, including free online resources and exercises, links to some of these tools are set out in next steps below.

Responding to Cyber Attacks: Charities should have a response plan, report attacks to Action Fraud, and keep records to mitigate harm and prevent future incidents.

Reporting Cyber Crime: Reporting to [Action Fraud](#) is important for obtaining support for the charity and tracking attack trends across the sector. Serious incidents may also need to be reported to the Charity Commission [How to report a serious incident in your charity](#). If the event includes data loss then a charity may also need to report to the Information Commissioner. Trustees should keep a record of what happened and seek legal advice if needed.

Next steps

We recommend that trustees consider the guidance and resources available in conjunction with their risk assessment to understand their data and risks, and identify proportionate actions.

Guidance

- NCSC specific guide about how to [defend against malware and ransomware](#).
- NCSC free online [cyber security training for beginners](#). (30 mins) including tips about how to prevent cyber crime, such as:
 - how to protect your charity from phishing attacks
 - how to set strong passwords, and why
 - how to keep your devices secure
- [the NCSC's 10 Steps to Cyber Security](#)
- NCSC [cyber security toolkit for boards](#).
- NCSC [cyber attack exercises](#). These recreate common cyber attacks. You can use the exercises to practise your response to, for example, a phishing attack.

Decision-making for Trustees.



Ex gratia payments: update on the Charities Act 2022 implementation.

The Guidance [CC27 Decision-making for charity trustees](#) was updated in September 2024 to be more accessible and easier to use. It focusses on the seven key principles for trustees when making decisions for their charity.

Trustees must:

- act within your powers (follow your charity's governing document)
- act in good faith and only in the interests of the charity (being open, fair and honest)
- make sure you are sufficiently informed (including undertaking cost and risk assessments and taking professional advice if required)
- take account of all relevant factors (options, costs, risks benefits, short- and long-term impact, reputation)
- ignore any irrelevant factors (personal feelings)
- manage conflicts of interest (personal interests)
- make decisions that are within the range of decisions that a reasonable trustee body could make (give sufficient time to the decision taking into account guidance and specialist advice as necessary)

When trustees make decisions, they should ensure that the documentation is clear so that someone questioning the decision could understand what

information was available at the time of the decision, why advice was, or was not, requested, how different stakeholders were considered, and how the decision was justified.

It is an important principle in charity governance that there is collective responsibility. All trustees are jointly responsible for the final decision, regardless of whether the individual trustee disagreed or did not attend the relevant meeting.

It is important for good governance that all trustees bring their personal skills and experience to any decision and that there is constructive debate and challenge. However, irreconcilable differences are likely to be damaging. The Charity Commission's existing guidance on [Disagreements and disputes within charities](#) may be useful in that situation.

The Charity Commission will not make decisions on behalf of the Trustees. Where concerns are raised with the Commission, they will consider the decisions but more importantly how the decision was made, the process and the evidence.

Therefore, as inevitably some decisions may not work out as intended, it is important for trustees that they can evidence the good faith, due process and reasonable skill and care of their decision-making.

Published in September 2024, the ICAEW set out some [guidance on ex-gratia payments](#). Sections 15 and 16 of the Charities Act 2022 which may be helpful for charity's preparing procedures to reflect the new permissions within the Act.

However, there is no date on the website of the [Department for Culture, Media and Sport for their implementation](#) as yet for implementation (last update was later in 2024).

The Act will expand the power of trustees to make ex gratia payments without seeking permission from the Charity Commission, provided the payment does not exceed the specified threshold and a moral obligation exists.

If the charity's governing document expressly restricted the new statutory power, approval from the Commission will still be required. It should be remembered that any ex gratia payment made (even within the limits) should be disclosed along with the reason or legal authority (with the exception of small gifts, for example chocolate and flowers). The proposed limits are:

Gross income of charity in last financial year	Size of ex gratia payment permitted without Commission authorisation
£25,000 or less	£1,000
Over £25,000 but not over £250,000	£2,500
Over £250,001 but not over £1 million	£10,000
Over £1 million	£20,000

Some payments for example non-contractual agreements around redundancy or other arrangements may, whilst non-contractual, not be ex gratia, as the charity is clearly making the payment in its best interest to resolve an issue. If a charity is in doubt over whether a payment can be made it should take legal advice. If the charity has made non-contractual redundancy or other payments these will also require disclosure in accordance with the requirements of the SORP.

In the news.

There have been a number of cases in the news in the latter half of 2024 which provide useful reminders for all charity's making sure good governance arrangements are in place.

Cases ranged from investigations into the use of restricted funds to theft of charity funds and jail sentences.

Some of the key messages coming from the cases included the need for:

Accountability and transparency. Appropriate checks and balances are required to ensure that all funds, especially restricted ones, are used for their intended purposes and properly documented. Issues arose from not ensuring where funds overruns went

and confirming how they were spent; insufficient cash flow and financial management potentially meaning restricted funds were used for general purposes; and personal gain from the expenditure.

Governance and ethical leadership. The charities in a number of cases lacked governance frameworks to oversee financial activities effectively and avoid breaches of trust. There was little scope for open challenge within the organisations, which would have highlighted potential problems.

Clear identification of conflicts of interest. The cases illustrate the need for all conflicts to be declared and an independent voice in the charity to challenge how conflicts are managed.

Upcoming events.

With the new SORP on the spring horizon and FRS102 already issued, we are planning some lunches and webinars for questions and discussions of the changes. Registration will open closer to the time of the events, and mailing will be sent out to you as soon as they are open.

Topic	Timing	Location	Host	Link to register/to receive further information
Fraud awareness within the charity sector	30 April 2025 9am - 11am	Allia Business Centre	Pure Charity Leaders Group and PEM	Register now
Accounting for revisions to FRS 102	18 June 2025 12:30pm - 1:15pm	Webinar	PEM	Registration not yet open
Financial challenges and recovery	2 July 2025 12:30pm - 2pm	PEM	PEM with Phil Reynolds FRP Consulting	Registration not yet open
Changes to the SORP and trustees reporting	11 September 2025 12:30pm - 1:15pm	Webinar	PEM	Registration not yet open
Pure Charity Leaders Group	October 2025	TBC	Pure Charity Leaders Group and PEM	Registration not yet open
Cyber recap and charity updates	3 December 2025 11am - 2pm	PEM	PEM with Jon Stanton (4Cambridge) and their special guest	Registration not yet open



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