

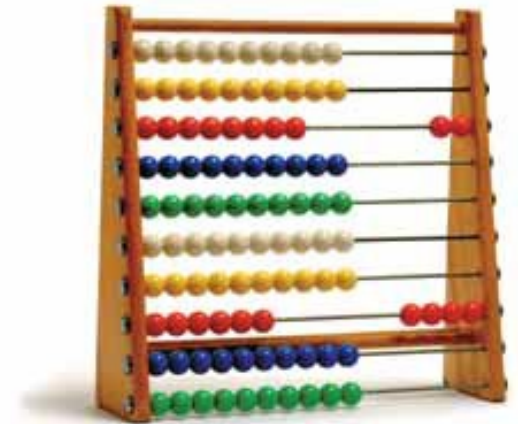
Xero? Budgets? Panic? **Let's talk it through –** ***Tips and tricks and Q&A***

16th October 2025

12:00 to 13:00

Youth Investment Fund
CSO Webinar

Neal Trup
Neal Howard Ltd



**YOUTH
INVESTMENT
FUND**

NEAL HOWARD
Growing Social Enterprises

Agenda for the session

- Accounting systems – coding design, reporting and AI
- Budgeting and cashflow forecasts
- Management/Board reports
- SORP/FRS102 changes and preparation
- Q&A

Accounting systems

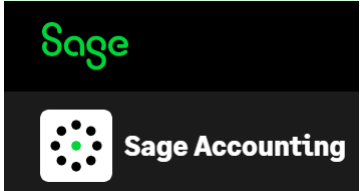
Accounting systems and reporting

Tips & tricks

- Cloud accounting systems are like **databases**, so setting out the coding structure for the chart of accounts (general ledger) and analysis codes (such as for projects/activities and funding) is essential.
- Xero and QBO (Plus/Advanced) have a three-dimensional ledger which can be tailored to meet the needs of an organisation's activities and funding (eg restricted and unrestricted)
- Use prefixes such as RF, UF or DF for funds or Youth, Adult etc for activities
- Set up correctly, these systems can produce many types of reports including by activity, specific grants, overheads, premises costs, projects, cashflow, income and expenditure and balance sheets. This can include reports for funders as well as trustees and management.
- Most systems will have a default chart of accounts which can then be tailored, and some can integrate with other systems and allow bank feeds to help keep the system "live"
- Systems can also incorporate budgets and forecasts

Accounting systems that are widely used by small to medium sized charities and social enterprises

YOUTH INVESTMENT FUND



£100k

£1m

£5m

£10m

Size of organisation (income £)

Accounting Software Ledger Design

Software design	What this means	Software examples
Single dimension nominal ledger	Single general ledger chart of accounts (what)	QuickBooks Essentials Kashflow FreeAgent
Two-dimensional nominal ledger	Allows analysis by activity/department/funding as well as the general ledger (what and where)	Sage 50
Three-dimensional nominal ledger	Allows analysis by two sets of activity/department/funding as well as the general ledger (what and 2 x where)	Xero Sage 200 QuickBooks Plus / Advanced Sage Accounting (Plus)
Four or more dimensions	Allows analysis by (often) many dimensions including activities, departments, funding and the general ledger (what and 3+ x where)	Sage Intaact Xledger Aedon Charities IRIS financials

Ledger Design

Depending on software choice – 3D example

**YOUTH
INVESTMENT
FUND**

Tracking category 1, Class or Dept eg:

- Services
- Activities
- Projects
- Premises costs
- Core & Overheads

2

Chart of accounts eg:

- Sales
- Donations
- Grants
- Legacies
- Programme costs
- Salaries
- Rent
- Utilities
- Repairs & maintenance
- Insurance
- Governance costs
- Fixed assets

1

Tracking category 2 or Location eg:

- Individual restricted funds (RF) such as specific grants
- Unrestricted general funds (UF)
- Designated funds (DF)
- Other restricted and unrestricted funds

3

LIMITS

Depending on the software/level, there may be limits to the number of different codes that can be used in each tracking category. For example, in QBO Plus a maximum of 40 (combined classes & locations) applies and in Xero it is 100 in each category (total 200). In QBO advanced there is no limit.

Accounting Systems – Example using Xero

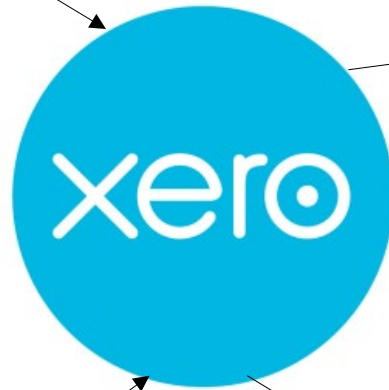
Activities Funds

Tracking category name

Activities Rename

Category options

- Advice Services Rename
- Capital Project Rename
- Core & Overheads Rename
- Counselling Rename
- Premises Rename
- Training Rename



Income & Expenditure by Activity

Midminster Youth CIO
For the year ended 31 March 2024

	ADVICE SERVICES	CAPITAL PROJECT	CORE & OVERHEADS	COUNSELLING	PREMISES	TOTAL
Turnover						
Capital Grants	-	605,000	-	-	-	605,000
Contract income	108,000	-	-	-	-	108,000
Interest Income	-	-	1,600	-	-	1,600
Restricted Grants	20,000	-	45,000	22,000	-	87,000
Sales / fees	-	-	-	9,800	-	9,800
Total Turnover	128,000	605,000	46,600	31,800	-	811,400
Cost of Sales						
Direct Expenses	27,500	-	-	-	-	27,500
Total Cost of Sales	27,500	-	-	-	-	27,500
Gross Profit	100,500	605,000	46,600	31,800	-	783,900
Administrative Costs						
Advertising & Marketing	4,500	-	-	-	-	4,500
Audit & Accountancy fees	-	-	56	-	-	56
Business Rates	-	-	-	-	2,400	2,400
Capital - Construction Costs	-	343,000	-	-	-	343,000
Capital - Fit-out	-	40,000	-	-	-	40,000
Capital - Non recoverable VAT	-	90,000	-	-	-	90,000
Capital - Professional fees	-	97,000	-	-	-	97,000
Cleaning	-	-	-	-	2,545	2,545
Depreciation Expense	-	-	104	-	-	104
General Expenses	130	-	-	-	-	130
Governance costs	-	-	1,251	-	454	1,705
Insurance	-	-	-	-	1,900	1,900
Overheads	-	-	550	-	-	550
Rent	-	-	-	-	12,000	12,000
Repairs & Maintenance	-	-	-	-	5,164	5,164
Salaries	24,000	-	36,000	27,000	-	87,000
Statutory Testing	-	-	-	-	542	542
Utilities	-	-	-	-	10,600	10,600
Wifi and IT	-	-	-	-	2,256	2,256
Total Administrative Costs	28,630	570,000	37,962	27,000	37,861	701,452
Operating Profit	71,870	35,000	8,638	4,800	(37,861)	82,448

Activity Funding

Tracking category name

Funding Rename

Category options

- DF - Building Repairs Rename
- RF - Lottery Grant A Rename
- RF - Lottery Grant B Rename
- RF - Midminster Trust Rename
- RF - Youth Investment Fund Rename
- UF - General Funds Rename
- UF - LA Contract Rename

Midminster Youth CIO
For the year ended 31 March 2024

	RF - YIF CAPITAL GRANT	RF - YIF REVENUE GRANT	RF - YOUTH FUTURES FOUNDATION	UF - GENERAL FUNDS	UF - LA CONTRACT	TOTAL
Turnover						
Capital Grants	605,000	-	-	-	-	605,000
Contract income	-	-	-	108,000	-	108,000
Interest Income	-	-	-	1,600	-	1,600
Restricted Grants	-	45,000	42,000	-	-	87,000
Sales / fees	-	-	-	9,800	-	9,800
Total Turnover	605,000	45,000	42,000	11,400	108,000	811,400
Cost of Sales						
Direct Expenses	-	-	7,000	-	20,500	27,500
Total Cost of Sales	-	-	7,000	-	20,500	27,500
Gross Profit	605,000	45,000	35,000	11,400	87,500	783,900
Administrative Costs						
Advertising & Marketing	-	-	-	-	4,500	4,500
Audit & Accountancy fees	-	-	-	56	-	56
Business Rates	-	-	-	2,400	-	2,400
Capital - Construction Costs	343,000	-	-	-	-	343,000
Capital - Fit-out	40,000	-	-	-	-	40,000
Capital - Non recoverable VAT	90,000	-	-	-	-	90,000
Capital - Professional fees	97,000	-	-	-	-	97,000
Cleaning	-	-	-	2,545	-	2,545
Depreciation Expense	-	-	-	104	-	104
General Expenses	-	-	-	130	-	130
Governance costs	-	-	-	1,705	-	1,705
Insurance	-	-	-	1,900	-	1,900
Overheads	-	-	-	550	-	550
Rent	-	-	-	12,000	-	12,000
Repairs & Maintenance	-	-	-	5,164	-	5,164
Salaries	-	18,000	27,000	18,000	24,000	87,000
Statutory Testing	-	-	-	542	-	542
Utilities	-	-	-	10,600	-	10,600
Wifi and IT	-	-	-	2,256	-	2,256
Total Administrative Costs	570,000	18,000	27,000	57,952	28,500	701,452
Operating Profit	35,000	27,000	8,000	(46,552)	59,000	82,448

Income & Expenditure by Fund

YOUTH INVESTMENT FUND

Classes

< All Lists

Batch actions Filter by name

- NAME ▲
- Advice Services
- Core
- Counselling
- Training
- Youth Services

Locations

< All Lists

Filter by name

- NAME ▲
- DF - Building Fund
- RF - Lottery Grant A
- RF - Lottery Grant B
- RF - Midminster Trust
- UF - General Funds
- UF - LA Contract

Accounting Systems

Example using QBO



Income & Expenditure by Activity (class)

Midminster Trust CIO
Financial Activities by Activity /Class
April, 2023 - 14 March, 2024

	ADVICE SERVICES	CAPITAL PROJECT	CORE	YOUTH ACTIVITIES	DAY CENTRE	TOTAL
Income						
Billable Expenses Income			18,800	9,748	11,021	£39,569
Grant Income		50,000				£50,000
Markup					10,550	£10,550
Sales			2,995	2,000	10,250	£15,245
Sales of Product Income			8,747		1,000	£9,747
Services			1,200			£1,200
Total Income	£0	£50,000	£31,742	£11,748	£32,821	£126,311
Cost of Sales	£4,750	£0	£22,763	£5,119	£7,262	£39,894
TOTAL	£ (4,750)	£50,000	£8,980	£6,629	£25,559	£86,417
Expenditures						
NET OPERATING INCOME	£ (8,177)	£50,000	£1,359	£3,829	£15,729	£62,740
Other Expenditures	£0	£0	£0	£0	£ (20)	£ (20)
NET OTHER INCOME	£0	£0	£0	£0	£20	£20
NET INCOME/(EXPENDITURE)	£ (8,177)	£50,000	£1,359	£3,829	£15,749	£62,760

Midminster Trust CIO
Financial Activities by Fund (Location)
1 April, 2023 - 14 March, 2024

	RF - LOTTERY	RF - MIDMINSTER TRUST	RF - YIF	UF - GENERAL FUNDS	UF - LA Contract	TOTAL
Income						
Billable Expenses Income				39,569		£39,569
Grant Income		50,000				£50,000
Markup				10,550		£10,550
Sales				15,245		£15,245
Sales of Product Income				9,747		£9,747
Services				1,200		£1,200
Total Income	£0	£0	£50,000	£76,311	£0	£126,311
Cost of Sales	£4,750	£0	£0	£35,144	£0	£39,894
TOTAL	£ (4,750)	£0	£50,000	£41,167	£0	£86,417
Expenditures						
NET OPERATING INCOME	£ (5,582)	£ (2,500)	£50,000	£21,962	£ (1,140)	£62,740
Other Expenditures	£0	£0	£0	£0	£ (20)	£ (20)
NET OTHER INCOME	£0	£0	£0	£ (0)	£20	£20
NET INCOME/(EXPENDITURE)	£ (5,582)	£ (2,500)	£50,000	£21,962	£ (1,120)	£62,760

Income & Expenditure by Fund (location)

YOUTH INVESTMENT FUND

Accounting systems and reporting

AI

Many accounting software systems have begun to incorporate or be driven by AI features. These include:

- **Anomaly detection:** Identifying unusual transaction patterns such as potential duplicates and mis-codings
- **Smart invoicing assistants:** Automating invoicing processes.
- **Automatic bank reconciliations:** Significantly reducing the number of items for manual review
- **AI-driven financial insights:** Providing analytics and recommendations based on financial data.
- **Automation and guided workflows:** Streamline tasks and reduces manual entry.
- **Assistive / Agentive AI** – ask any question for insights, let it work for you and to prepare reports. Examples include: Xero **JAX** (Just ask Xero|), **Intuit Assist** (QBO) and **Sage Ai**



Using System Reports

Income and Expenditure by Activity

Midminster Youth CIO

For the year ended 31 March 2024

YOUTH INVESTMENT FUND

	Advice Services	Capital Project	Core & Overheads	Counselling	Premises	Total
Incoming Resources						
Capital Grants	-	605,000	-	-	-	605,000
Contract income	108,000	-	-	-	-	108,000
Interest Income	-	-	1,600	-	-	1,600
Restricted Grants	20,000	-	45,000	22,000	-	87,000
Sales / fees	-	-	-	9,800	-	9,800
Unrestricted Grants & Donations	-	-	5,291	-	-	5,291
Total Incoming Resources	128,000	605,000	51,891	31,800	-	816,691
Cost of Sales						
Direct Expenses	27,500	-	-	-	-	27,500
Total Cost of Sales	27,500	-	-	-	-	27,500
Gross Profit	100,500	605,000	51,891	31,800	-	789,191
Administrative Costs						
Overheads	4,630	-	1,962	-	454	7,046
Premises and Utilities	-	-	-	-	37,407	37,407
Capital Project	-	570,000	-	-	-	570,000
Salaries	24,000	-	36,000	27,000	-	87,000
Total Administrative Costs	28,630	570,000	37,962	27,000	37,861	701,452
Operating Profit	71,870	35,000	13,929	4,800	(37,861)	87,739

Income and Expenditure by Fund

Midminster Youth CIO

For the year ended 31 March 2024

**YOUTH
INVESTMENT
FUND**

Interest Income	-	-	-	1,600	-	1,600
Restricted Grants	42,000	-	45,000	-	-	87,000
Sales / fees	-	-	-	9,800	-	9,800
Unrestricted Grants & Donations	-	-	-	5,291	-	5,291
Total Incoming Resources	42,000	605,000	45,000	16,691	108,000	816,691
Cost of Sales						
Direct Expenses	7,000	-	-	-	20,500	27,500
Total Cost of Sales	7,000	-	-	-	20,500	27,500
Gross Profit	35,000	605,000	45,000	16,691	87,500	789,191
Administrative Costs						
Overheads	-	-	-	2,546	4,500	7,046
Premises and Utilities	-	-	-	37,407	-	37,407
Capital Project	-	570,000	-	-	-	570,000
Salaries	27,000	-	18,000	18,000	24,000	87,000
Total Administrative Costs	27,000	570,000	18,000	57,952	28,500	701,452
Operating Profit	8,000	35,000	27,000	(41,261)	59,000	87,739

**Premises
Budget Summary
Midminster Youth CIO
April 2024 to March 2025**

**YOUTH
INVESTMENT
FUND**

	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Total
	£	£	£	£	£	£	£	£	£	£	£	£	£
Premises costs													
Business Rates	200	200	200	200	200	200	200	200	200	200	200	200	2,400
Cleaning	100	100	100	100	100	100	100	100	100	100	100	100	1,200
Governance costs	100	100	100	100	100	100	100	100	100	100	100	100	1,200
Insurance	100	100	100	100	100	100	100	100	100	100	100	100	1,200
Refuse & Recycling	50	50	50	50	50	50	50	50	50	50	50	50	600
Rent	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Repairs & Maintenance	200	200	200	200	200	200	200	200	200	200	200	200	2,400
Statutory Testing	50	50	50	50	50	50	50	50	50	50	50	50	600
Utilities	800	800	800	800	800	800	800	800	800	800	800	800	9,600
Wifi and IT	150	150	150	150	150	150	150	150	150	150	150	150	1,800
Total Premises costs	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	33,000

Budget Variance

Midminster Youth CIO

For the 3 months ended 31 March 2024

Activities is Premises.

YOUTH INVESTMENT FUND

	Jan-Mar 2024	Jan-Mar 2024 Premises	Variance	Variance %	2024	2024 Premises	Variance	Variance %
Gross Profit	-	-	-	-	-	-	-	-
Operating Expenses								
Business Rates	600	600	-	-	2,400	2,000	400 ↑	20% ↑
Cleaning	673	300	373 ↑	124% ↑	2,545	1,000	1,545 ↑	155% ↑
Governance costs	292	300	(8) ↓	-3% ↓	454	1,000	(546) ↓	-55% ↓
Insurance	400	300	100 ↑	33% ↑	1,900	1,000	900 ↑	90% ↑
Refuse & Recycling	-	150	(150) ↓	-100% ↓	-	500	(500) ↓	-100% ↓
Rent	3,000	3,000	-	-	12,000	10,000	2,000 ↑	20% ↑
Repairs & Maintenance	1,861	600	1,261 ↑	210% ↑	5,164	2,000	3,164 ↑	158% ↑
Statutory Testing	-	150	(150) ↓	-100% ↓	542	500	42 ↑	8% ↑
Utilities	2,550	2,400	150 ↑	6% ↑	10,600	8,000	2,600 ↑	33% ↑
Wifi and IT	489	450	39 ↑	9% ↑	2,256	1,500	756 ↑	50% ↑
Total Operating Expenses	9,865	8,250	1,615	20%	37,861	27,500	10,361	38%
Net Profit	(9,865)	(8,250)	(1,615)	-20%	(37,861)	(27,500)	(10,361)	-38%

Budget Variance

Midminster Youth CIO

For the 3 months ended 31 March 2024

Activities is Premises.

YOUTH INVESTMENT FUND

	Jan-Mar 2024	Jan-Mar 2024 Premises	Variance	Variance %	2024	2024 Premises	Variance	Variance %
Gross Profit	-	-	-	-	-	-	-	-
Operating Expenses								
Business Rates	600	600	-	-	2,400	2,000	400 ↑	20% ↑
Cleaning	673	300	373 ↑	124% ↑	2,545	1,000	1,545 ↑	155% ↑
Governance costs	292	300	(8) ↓	-3% ↓	454	1,000	(546) ↓	-55% ↓
Insurance	400	300	100 ↑	33% ↑	1,900	1,000	900 ↑	90% ↑
Refuse & Recycling	-	150	(150) ↓	-100% ↓	-	500	(500) ↓	-100% ↓
Rent	3,000	3,000	-	-	12,000	10,000	2,000 ↑	20% ↑
Repairs & Maintenance	1,861	600	1,261 ↑	210% ↑	5,164	2,000	3,164 ↑	158% ↑
Statutory Testing	-	150	(150) ↓	-100% ↓	542	500	42 ↑	8% ↑
Utilities	2,550	2,400	150 ↑	6% ↑	10,600	8,000	2,600 ↑	33% ↑
Wifi and IT	489	450	39 ↑	9% ↑	2,256	1,500	756 ↑	50% ↑
Total Operating Expenses	9,865	8,250	1,615	20%	37,861	27,500	10,361	38%
Net Profit	(9,865)	(8,250)	(1,615)	-20%	(37,861)	(27,500)	(10,361)	-38%

Cash Summary

Midminster Youth CIO

For the month ended 31 December 2023

YOUTH INVESTMENT FUND

	Apr 2023	May 2023	Jun 2023	Jul 2023	Aug 2023	Sep 2023	Oct 2023	Nov 2023	Dec 2023
Income									
Capital Grants	200,000	-	50,000	-	50,000	-	-	50,000	-
Grant income	40,000	-	-	-	-	-	-	15,000	-
Sales	1,000	500	500	1,500	500	1,200	4,165	2,830	17,777
Total Income	241,000	500	50,500	1,500	50,500	1,200	4,165	67,830	17,777
Less Expenses									
Capital Project	156,000	25,000	25,000	20,000	20,000	25,000	30,000	20,000	15,000
Salaries	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Expenses and Overheads	1,089	1,091	1,096	1,101	1,106	1,107	2,519	3,945	11,492
Total Expenses	160,089	29,091	29,096	24,101	24,106	29,107	35,519	26,945	29,492
Surplus (Deficit)	80,911	(28,591)	21,404	(22,601)	26,394	(27,907)	(31,354)	40,884	(11,715)
Plus Other Cash Movements									
Fixed Assets	-	-	-	-	-	-	(1,900)	-	-
Total Other Cash Movements	-	-	-	-	-	-	(1,900)	-	-
Net Cash Movement	80,911	(28,591)	21,404	(22,601)	26,394	(27,907)	(33,254)	40,884	(11,715)
Summary									
Opening Balance	63,548	144,459	115,868	137,272	114,671	141,066	113,159	79,905	120,789
Plus Net Cash Movement	80,911	(28,591)	21,404	(22,601)	26,394	(27,907)	(33,254)	40,884	(11,715)
Cash Balance	144,459	115,868	137,272	114,671	141,066	113,159	79,905	120,789	109,074

Grant Report

Midminster Youth CIO

For the year ended 31 March 2024

Funds is RF - Midminster Trust.

This shows the grant spend
against the grant budget

	Actuals 2024	2024 Midminster Trust Grant	Variance
Incoming Resources			
Restricted Grants	42,000	42,000	-
Total Incoming Resources	42,000	42,000	-
Cost of Sales			
Direct Expenses	7,000	4,000	3,000 ↑
Total Cost of Sales	7,000	4,000	3,000
Gross Profit	35,000	38,000	(3,000)
Administrative Costs			
Overheads	-	2,500	(2,500) ↓
Rent	-	2,000	(2,000) ↓
Salaries	27,000	33,500	(6,500) ↓
Total Administrative Costs	27,000	38,000	(11,000)
Net Incoming Resources	8,000	-	8,000
Unspent Grant	8,000	-	8,000

Statement of Financial Activities

Midminster Youth CIO

For the year ended 31 March 2024

YOUTH INVESTMENT FUND

	Unrestricted Funds	Restricted Funds	Total
Incoming Resources			⋮
Grants and Voluntary Income	5,291	692,000	697,291
Charitable activities	117,800	-	117,800
Interest Income	1,600	-	1,600
Total Incoming Resources	124,691	692,000	816,691
Gross Profit	124,691	692,000	816,691
Administrative Costs			
Charitable Expenditure	106,952	622,000	728,952
Total Administrative Costs	106,952	622,000	728,952
Operating Profit	17,739	70,000	87,739
Net Incoming Resources	17,739	70,000	87,739
	Unrestricted Funds	Restricted Funds	Total
Funds			⋮
Net Incoming Resources	17,739	70,000	87,739
Restricted Funds	-	90,000	90,000
Unrestricted Funds	4,320	-	4,320
Total Funds	22,059	160,000	182,059

Premises Costs

Midminster Youth CIO

For the 3 months ended 31 March 2024

**YOUTH
INVESTMENT
FUND**

Activities is Premises.

⋮

	Jan-Mar 2024	Oct-Dec 2023	Jul-Sept 2023	Apr-Jun 2023	Total
Premises Costs					
Business Rates	600	600	600	600	2,400
Cleaning	673	660	727	485	2,545
Governance costs	292	-	-	162	454
Insurance	400	450	850	200	1,900
Rent	3,000	3,000	3,000	3,000	12,000
Repairs & Maintenance	1,861	1,175	911	1,217	5,164
Statutory Testing	-	222	100	220	542
Utilities	2,550	2,850	2,650	2,550	10,600
Wifi and IT	489	589	589	589	2,256
Total Premises Costs	9,865	9,546	9,427	9,023	37,861

Example Trust CIO

Income and Expenditure By Fund

January - December 2023

**YOUTH
INVESTMENT
FUND**

	RF - LOTTERY GRANT	UF - GENERAL FUNDS	UF - LA CONTRACT	NOT SPECIFIED	TOTAL
Income	£43,050	£20,575	£25,699	£0	£89,323
Cost of Sales	£39,444	£0	£500	£0	£39,944
GROSS PROFIT	£3,606	£20,575	£25,199	£0	£49,380
Expenses	£21,443	£0	£0	£1,330	£22,773
NET OPERATING INCOME	£ (17,837)	£20,575	£25,199	£ (1,330)	£26,607
Other Expenses	£0	£0	£0	£ (20)	£ (20)
NET OTHER INCOME	£ (0)	£0	£0	£20	£20
NET INCOME	£ (17,837)	£20,575	£25,199	£ (1,310)	£26,627

Example from QuickBooks Online Plus (using locations)

**YOUTH
INVESTMENT
FUND**

Budgets

Budgets

Purpose of a budget

The purposes of budgets are to:

- Set out the **financial plan** for the organisation for the given period;
- Help ensure that the financial plans are **aligned** with organisational aims, objectives and targets and are both viable and realistic;
- Provide an overall **approval mechanism** by the leadership and management teams for income and expenditure targets and plans, although each actual transaction will usually be the subject of specific approval processes as part of detailed financial controls and procedures;
- To **monitor** the actual performance of the organisation through the financial year (or period) and to report and highlight differences (often referred to as variances) in management accounts. This can help to inform **decision making** and or making changes to organisational strategy or plans.

Budgets and cashflow forecasts

Tips & tricks

- Begin the process early (eg 3 to 4 months before the new financial year) and engage relevant managers / trustees. Ensure there is sufficient time and an approach to business cases
- Review the organisations' strategic/business plan to ensure it is up to date and use it as a basis to guide budget preparation
- Use a risk-based approach to separate out the known/highly likely income and expenditure and that which is likely or more speculative
- Have a budget for both revenue and capital
- Ensure that you understand full cost recovery of projects, activities and grants
- For cashflow forecasts start with the known/highly likely receipts and payments only to give a base understanding of the cashflow
- Split the budget by activity where possible so that activity performance can be monitored more easily
- Upload budgets to your accounting system

Annual Budget (basic approach)

Midminster Youth CIO (Year 2)

**YOUTH
INVESTMENT
FUND**

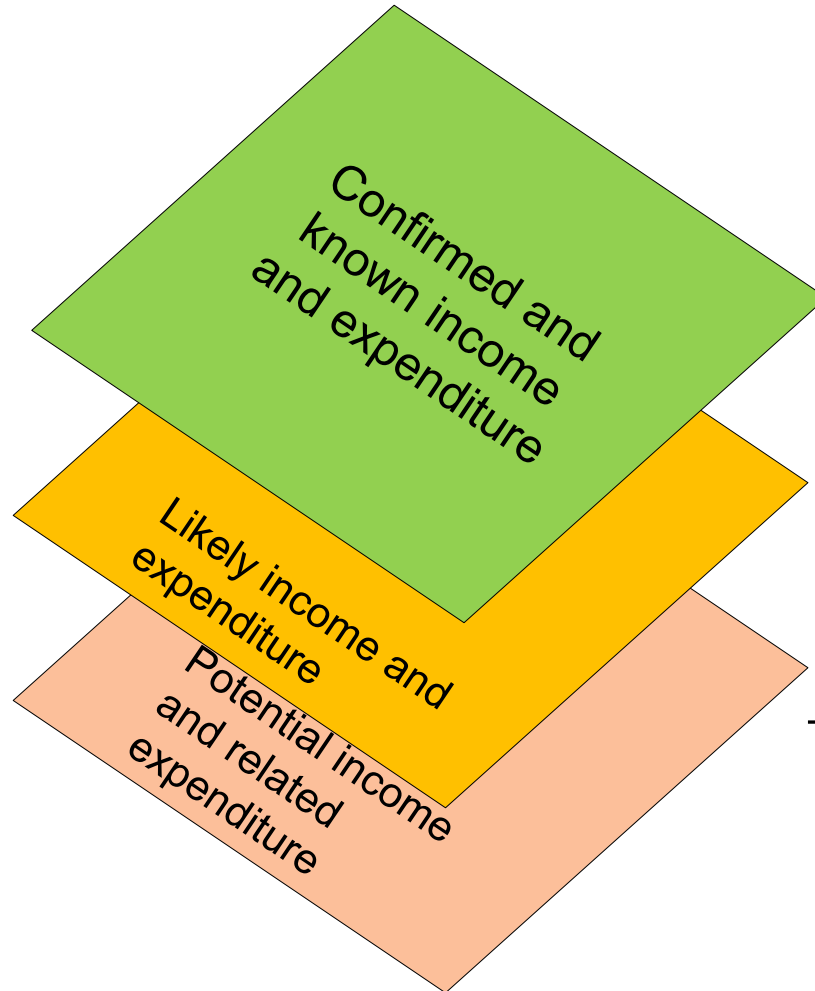
MIDMINSTER YOUTH CIO BUDGET FOR 2026/27 (Year 2)

	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-26	Nov-26	Dec-26	Jan-27	Feb-27	Mar-27	Total
	£	£	£	£	£	£	£	£	£	£	£	£	£
Income													
Restricted Grants		25,000	-	-	25,000	-	-	25,000	-	-	25,000		100,000
Membership	917	917	917	917	917	917	917	917	917	917	917	917	11,000
Donations	458	458	458	458	458	458	458	458	458	458	458	458	5,500
Rental and room hire	6,000	7,000	7,000	10,000	10,000	6,000	6,000	6,000	6,000	5,000	7,000	6,000	82,000
Café	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	48,000
Counselling services	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	40,000
	14,708	40,708	15,708	18,708	43,708	14,708	14,708	39,708	14,708	13,708	40,708	14,708	286,500
Expenditure													
Café (direct costs)	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	14,400
Counselling	2,333	2,333	2,333	2,333	2,333	2,333	2,333	2,333	2,333	2,333	2,333	2,333	28,000
Staff costs	13,563	13,563	13,563	13,563	13,563	13,563	13,563	13,563	13,563	13,563	13,563	13,563	162,750
Builkdng & Overheads	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	66,000
	22,596	22,596	22,596	22,596	22,596	22,596	22,596	22,596	22,596	22,596	22,596	22,596	271,150
Overall net surplus / (deficit)	(7,888)	18,113	(6,888)	(3,888)	21,113	(7,888)	(7,888)	17,113	(7,888)	(8,888)	18,113	(7,888)	15,350

Budgets

Risk based budget layers

Breaking the budget down by the level of certainty helps to give a clearer understanding of the risks inherent in the figures and aids decision making and monitoring.



THE NORTHERN COMMUNITY ORGANISATION													
BUDGET FOR 2021/22													
	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Total
	£	£	£	£	£	£	£	£	£	£	£	£	£
Confirmed & highly likely													
Restricted Grants		10,000	-	-	10,000	-	-	10,000	-	-	10,000	-	40,000
Unrestricted grants and donations	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Furlough grants	7,500												7,500
Rental and room hire	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	144,000
Social enterprise and rental	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	18,000
Other income	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	48,000
	25,500	28,000	18,000	18,000	28,000	18,000	18,000	28,000	18,000	18,000	28,000	18,000	261,500
Expenditure													
Direct delivery costs	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Restricted fund projects	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	96,000
Staff costs	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	180,000
Overheads and other costs	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	60,000
	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	288,000
Net confirmed & highly likely	1,500	4,000	(6,000)	(6,000)	4,000	(6,000)	(6,000)	4,000	(6,000)	(6,000)	4,000	(6,000)	(24,500)
Likely and target													
Income	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	60,000
Related expenditure	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(24,000)
Net likely and target	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	36,000
Overall net surplus / (deficit)	4,500	7,000	(3,000)	(3,000)	7,000	(3,000)	(3,000)	7,000	(3,000)	(3,000)	7,000	(3,000)	11,500

Narrative plan and list of "pipeline" and planned bids and income opportunities to pursue

Annual Risk-Based Budget

Midminster Youth CIO (Year 2)

**YOUTH
INVESTMENT
FUND**

MIDMINSTER YOUTH CIO BUDGET FOR 2026/27 (Year 2)

	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-26	Nov-26	Dec-26	Jan-27	Feb-27	Mar-27	Total
	£	£	£	£	£	£	£	£	£	£	£	£	£
Confirmed & highly likely													
Restricted Grants		25,000	-	-	25,000	-	-	25,000	-	-	-		75,000
Membership	917	917	917	917	917	917	917	917	917	917	917	917	11,000
Donations	458	458	458	458	458	458	458	458	458	458	458	458	5,500
Rental and room hire	5,000	6,000	6,000	9,000	9,000	5,000	5,000	5,000	5,000	4,000	6,000	5,000	70,000
Café	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	48,000
Counselling services	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	40,000
	13,708	39,708	14,708	17,708	42,708	13,708	13,708	38,708	13,708	12,708	14,708	13,708	249,500
Expenditure													
Café (direct costs)	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	14,400
Counselling	2,333	2,333	2,333	2,333	2,333	2,333	2,333	2,333	2,333	2,333	2,333	2,333	28,000
Staff costs	13,563	13,563	13,563	13,563	13,563	13,563	13,563	13,563	13,563	13,563	13,563	13,563	162,750
Builkdng & Overheads	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	60,000
	22,096	22,096	22,096	22,096	22,096	22,096	22,096	22,096	22,096	22,096	22,096	22,096	265,150
<i>Net confirmed & Highly likely</i>	(8,388)	17,613	(7,388)	(4,388)	20,613	(8,388)	(8,388)	16,613	(8,388)	(9,388)	(7,388)	(8,388)	(15,650)
Likely and target													
Grant income											25,000		25,000
Rental income	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Related expenditure	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(6,000)
<i>Net likely and target</i>	500	500	500	500	500	500	500	500	500	500	25,500	500	31,000
Overall net surplus / (deficit)	(7,888)	18,113	(6,888)	(3,888)	21,113	(7,888)	(7,888)	17,113	(7,888)	(8,888)	18,113	(7,888)	15,350

Annual Risk-Based Budget

Midminster Youth CIO (Year 2)

**YOUTH
INVESTMENT
FUND**

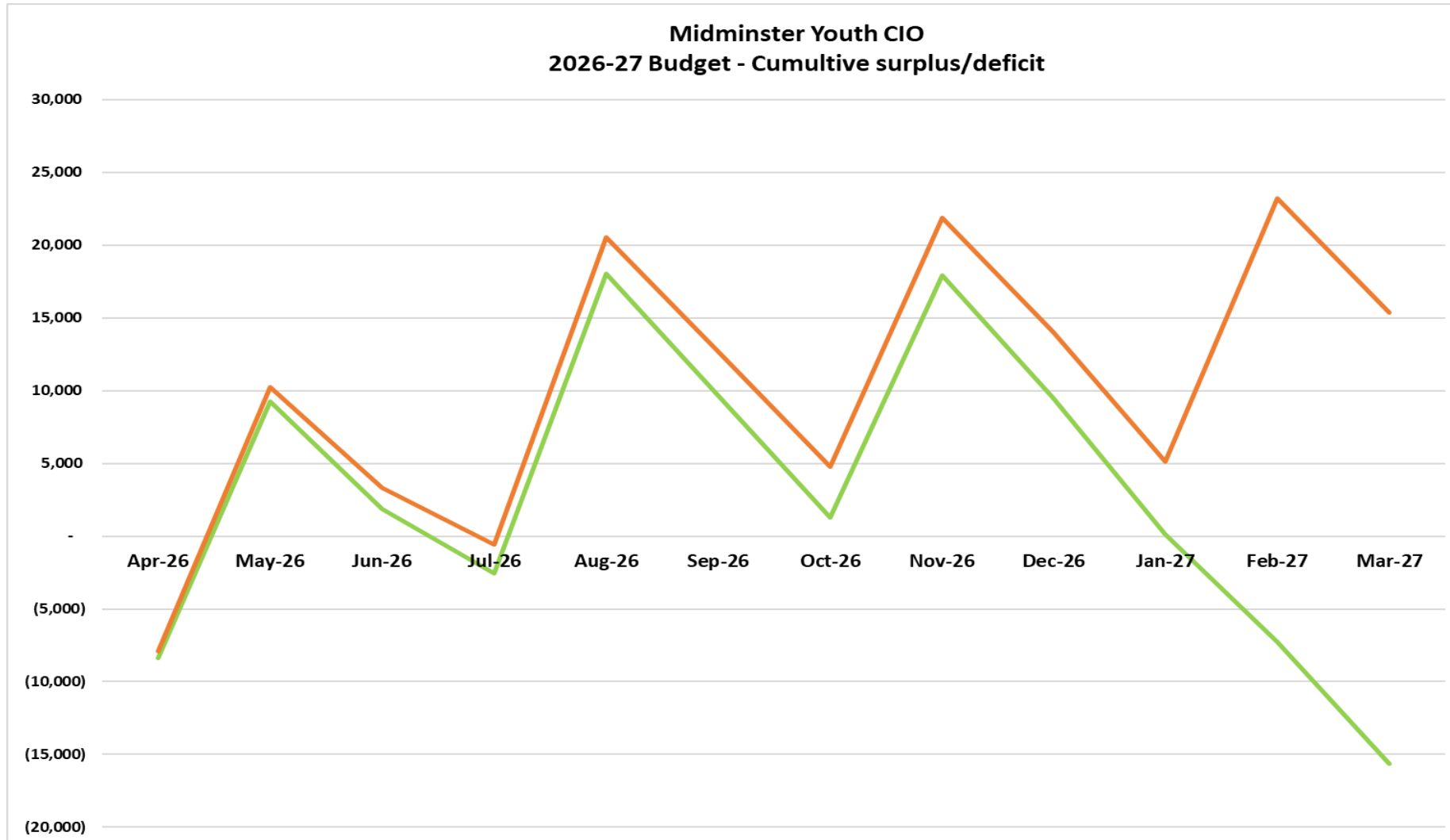
MIDMINSTER YOUTH CIO BUDGET FOR 2026/27 (Year 2)

	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-26	Nov-26	Dec-26	Jan-27	Feb-27	Mar-27	Total
	£	£	£	£	£	£	£	£	£	£	£	£	£
Confirmed & highly likely													
Restricted Grants		25,000	-	-	25,000	-	-	25,000	-	-	-		75,000
Membership	917	917	917	917	917	917	917	917	917	917	917	917	11,000
Donations	458	458	458	458	458	458	458	458	458	458	458	458	5,500
Rental and room hire	5,000	6,000	6,000	9,000	9,000	5,000	5,000	5,000	5,000	4,000	6,000	5,000	70,000
Café	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	48,000
Counselling services	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	40,000
	13,708	39,708	14,708	17,708	42,708	13,708	13,708	38,708	13,708	12,708	14,708	13,708	249,500
Expenditure													
Café (direct costs)	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	14,400
Counselling	2,333	2,333	2,333	2,333	2,333	2,333	2,333	2,333	2,333	2,333	2,333	2,333	28,000
Staff costs	13,563	13,563	13,563	13,563	13,563	13,563	13,563	13,563	13,563	13,563	13,563	13,563	162,750
Builkdng & Overheads	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	60,000
	22,096	22,096	22,096	22,096	22,096	22,096	22,096	22,096	22,096	22,096	22,096	22,096	265,150
<i>Net confirmed & Highly likely</i>	(8,388)	17,613	(7,388)	(4,388)	20,613	(8,388)	(8,388)	16,613	(8,388)	(9,388)	(7,388)	(8,388)	(15,650)
Likely and target													
Grant income											25,000		25,000
Rental income	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Related expenditure	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(6,000)
<i>Net likely and target</i>	500	500	500	500	500	500	500	500	500	500	25,500	500	31,000
Overall net surplus / (deficit)	(7,888)	18,113	(6,888)	(3,888)	21,113	(7,888)	(7,888)	17,113	(7,888)	(8,888)	18,113	(7,888)	15,350

Annual Risk-Based Budget

Midminster Youth CIO (Year 2)

**YOUTH
INVESTMENT
FUND**



Full Cost Recovery

Overview

Full cost recovery is about ensuring that all the costs involved in running a project, service and across an organisation, are covered by income and funding.

- For grants this means applying for funding for direct project costs and for a proportionate share of the organisation's overheads.
- For contracts it is ensuring that the price fully covers all the costs and ideally makes a surplus margin, and to cover risk.
- For other services and use of a building (e.g. room hire), it is making sure that costs are fully understood, and that prices and room rates are set at viable levels.

Why Full Cost recovery is important

- To ensure an organisation is able to understand and cover its costs
- Avoid making losses on services/activities that are not sustainable or need to continually be funded by other means
- To help managers and trustees to make informed decisions about the viability of grant funded projects, contracts and services
- To understand potential areas for changes to prices, ways of working and making efficiency savings
- Ultimately to the viability and sustainability of the organisation

Annual Activity-Based Budget

Midminster Youth CIO (Year 2)

**YOUTH
INVESTMENT
FUND**

MIDMINSTER YOUTH CIO BUDGET FOR 2026-27 - CONTRIBUTION SUMMARY

	Youth services	Membership and donations	Café	Counselling	Rental and room hire	Core	Total
	RF	UF	UF	UF	UF	UF	
	£	£	£	£	£	£	£
Income	100,000	16,500	48,000	40,000	82,000	-	286,500
Less: Direct costs	-	-	14,400	28,000	-	-	42,400
Gross Profit	100,000	16,500	33,600	12,000	82,000	-	244,100
Staff costs	(71,000)	-	(21,500)	(11,000)	(24,000)	(35,250)	(162,750)
Premises & Overheads	(16,000)		(14,000)		(22,000)	(14,000)	(66,000)
Contribution	13,000	16,500	(1,900)	1,000	36,000	(49,250)	15,350
Overhead allocation	(10,000)	(3,473)	(10,102)	(8,418)	(17,257)	49,250	-
Net Profit / (loss)	3,000	13,027	(12,002)	(7,418)	18,743	-	15,350

Cashflow forecasts

Overview

- Cashflow forecasts set out the projected receipts and payments through an organisation's bank / cash accounts
- Cashflow forecasts (particularly where cash is tight) should be based on income and expenditure that is certain and highly likely (e.g. 90% certainty plus)
- All known/certain/highly likely receipts and payments should be included, such as grant and sales receipts, other income, operational and capital expenditure, loan repayments etc.
- Depending upon the frequency and level of movements through the bank, cashflow forecasts should be on a weekly or monthly basis, ideally at least 12 months ahead (rolling basis)
- Ideally should be split between restricted and unrestricted funds
- Assumptions should be clear to understand

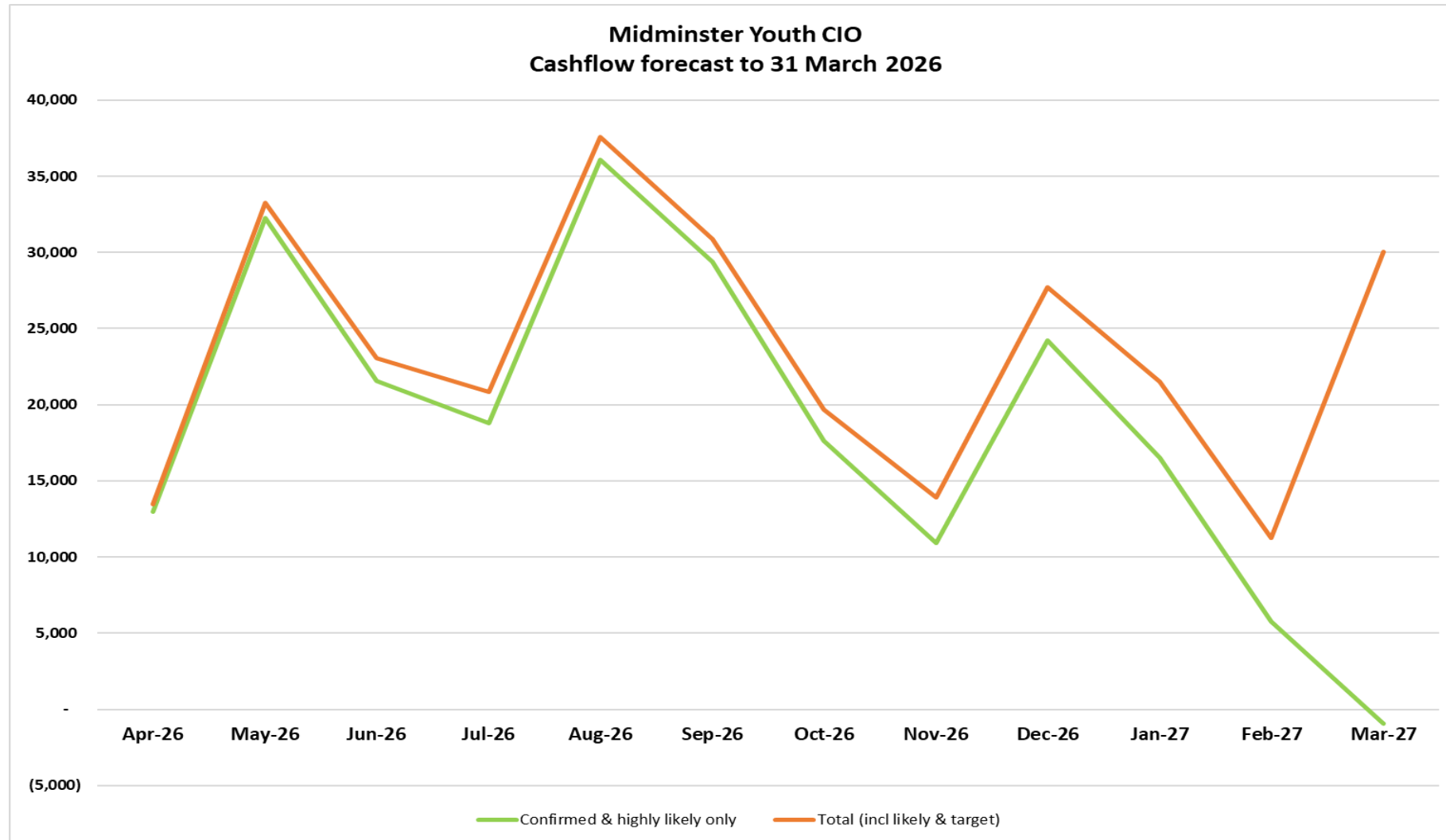
MIDMINSTER YOUTH CIO
CASHFLOW FORECAST 2026/27 (Year 2)

	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-26	Nov-26	Dec-26	Jan-27	Feb-27	Mar-27
	£	£	£	£	£	£	£	£	£	£	£	£
Confirmed & highly likely												
Restricted Grants	-	25,000	-	-	25,000	-	-		25,000	-	-	
Membership	917	917	917	917	917	917	917	917	917	917	917	917
Donations	458	458	458	458	458	458	458	458	458	458	458	458
Rental and room hire	5,000	6,000	6,000	9,000	9,000	5,000	5,000	5,000	5,000	4,000	6,000	5,000
Café	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Counselling services	-	5,000	-	5,000	-	5,000		5,000	-	5,000	-	5,000
	10,375	41,375	11,375	19,375	39,375	15,375	10,375	15,375	35,375	14,375	11,375	15,375
Expenditure												
Café (direct costs)	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Counselling	2,333	2,333	2,333	2,333	2,333	2,333	2,333	2,333	2,333	2,333	2,333	2,333
Staff costs	13,563	13,563	13,563	13,563	13,563	13,563	13,563	13,563	13,563	13,563	13,563	13,563
Builkdng & Overheads	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
	22,096	22,096	22,096	22,096	22,096	22,096	22,096	22,096	22,096	22,096	22,096	22,096
<i>Net confirmed & Highly likely</i>	(11,721)	19,279	(10,721)	(2,721)	17,279	(6,721)	(11,721)	(6,721)	13,279	(7,721)	(10,721)	(6,721)
Opening bank balance	24,700	12,979	32,258	21,538	18,817	36,096	29,375	17,654	10,933	24,213	16,492	5,771
Closing bank balance	12,979	32,258	21,538	18,817	36,096	29,375	17,654	10,933	24,213	16,492	5,771	(950)
Likely and target												
Grant income	-	-	-	-	-	-	-	-	-	-	-	25,000
Rental income	1,000	1,000	1,000	1,000	-	500	1,000	1,500	1,000	2,000	1,000	1,000
Related expenditure	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)
<i>Net likely and target</i>	500	500	500	500	(500)	-	500	1,000	500	1,500	500	25,500
Overall net surplus / (deficit)	(11,221)	19,779	(10,221)	(2,221)	16,779	(6,721)	(11,221)	(5,721)	13,779	(6,221)	(10,221)	18,779
Opening bank balance	24,700	13,479	33,258	23,038	20,817	37,596	30,875	19,654	13,933	27,713	21,492	11,271
Closing bank balance	13,479	33,258	23,038	20,817	37,596	30,875	19,654	13,933	27,713	21,492	11,271	30,050

Cashflow forecasts

Midminster Youth CIO

**YOUTH
INVESTMENT
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Management and Board Reports

Board Reports

Tips & tricks

- Management accounts should move the thinking of trustees / directors **towards the future**
- An effective management report should provide a snapshot of the **key messages** that the rest of the report (and appendices) will then expand upon, to help the board to focus on what matters.
- The focus should be focussed on **who will need to see the report** including understanding how much do they already know (and how interested they are) about the subject, what do they absolutely need to know and **what decisions they may need to make**
- Sentences should be short and covering only one point or issue in each
- Main messages should be clear and **engaging** with a compelling summary
- Preparers should not let the figures speak for themselves **and avoid talking in numbers**
- Charts and diagrams can help with communication if they are clear and simple to understand
- If a management report is difficult to understand (such as a large spreadsheet) or poor narrative, it can be an indicator of governance issues or weak financial control.

Management information

The importance of clear reports

**YOUTH
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- Focus on the wider picture and strategic information
- Cut the clutter - **“less is more”**
- The main substance should be clear to all trustees / managers rather than everyone seeing things very differently

Contents of an effective management report

Main body of report (2 to 3 pages)

- Strategic objectives and priorities
- Highlights and lowlights of the past month/quarter
- Income and expenditure headlines
- Year to date achievements
- Key non-financial metrics and measures
- Reserves and key risks
- Cashflow forecasts
- Plans and objectives for the next quarter
- Issues from the previous meeting
- Points to discuss
- Recommendations and decisions to be made



Appendices (3 to 8 pages)

- Income and expenditure summary by service/activity
- Detailed year end income and expenditure and cashflow forecasts
- Balance sheet
- Debtors and creditors summary

These will often be reports downloaded from the accounting system

FRS102 and SORP

Charities SORP

*Key proposed changes Effective accounting periods begin
1st Jan 2026*

**YOUTH
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FUND**

- Introduction of an income based **3-tier reporting regime** and with the SORP modules structured to provide clarity as to requirements for each tier
- New and **enhanced disclosures** in the trustees' annual report for future plans, sustainability and volunteers. New **prompt questions** to help preparers meet the trustees' annual report requirements
- Updated definition of **reserves** and reconciliation in the annual report
- New example for the **natural classification** reporting option for small charities
- Inclusion of the FRS102 five-step **income recognition** model for contracts
- Updates and clarifications to **recognition criteria for non-exchange income** such as grants, donations and legacies as well as some additional disclosure requirements
- New on-balance sheet and disclosure requirements for **operational leases**
- **Statement of cashflows** to be required only where income is above £15m

The final version of the SORP is due to be published in Oct 2025, however no significant changes from the exposure draft are expected

SORP and FRS102

Tips & tricks for preparation

- Make sure you know the transition date for your organisation. It will be the first accounting period beginning on or after 1st Jan 2026.
- Identify whether you have any leases that may fall within the new requirements – check for potential exemptions such as being low value (on an individual asset basis), or below 12 month.
- Community asset and peppercorn leases can be tricky so look at these carefully and take advice where needed
- Review sales, contracts and membership income through the 5-step model and work through any implications for management and year end accounts
- Understand the additional requirements of the annual report including around future plans, reserves reconciliation and analysis of volunteers. Make sure you have the systems in place to record these so you have it to hand at the year end
- Decide on your approach to management accounts – are you going to implement the new approach in your bookkeeping or leave it to the year end
- You should be ready to explain in the annual report any major impact of the changes, especially around new assets and liabilities.

Exposure Draft SORP 2026

Overview of the general impact on key changes on the accounts of small/medium charities (1)

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Change/implication	General Rating*	Impact on accounts and reports
Trustees' Annual Report	Medium	<ul style="list-style-type: none">Proposed 3 tier model.Impact (tiers 2&3) and sustainability (tier 3) reporting requiredVolunteers – providing more information
Leasing	High	<ul style="list-style-type: none">New and increased fixed assets and liabilitiesRent becomes depreciation and notional interest chargesIncreased gross assets could lead to exceeding thresholdsBelow market rent could lead to upfront recognition of “donated” amount
Income recognition	High	<ul style="list-style-type: none">Income may be recognised in different periods to nowMembership organisations and those with contracts providing a “bundle” of services most impacted
Statement of Cashflows	Medium	<ul style="list-style-type: none">No longer a requirement for Tier 2 charities (income £500k to £15m)If used as part of grant assessment, then this may need adjustment or requested as part of management information

*General sector rating. Each charity will be impacted differently

Exposure Draft SORP 2026

Overview of the general impact on key changes on the accounts of small/medium charities (2)

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Change/implication	General Rating*	Impact on accounts and reports
Reserves	Low	<ul style="list-style-type: none">Should improve clarity/consistency for free reserves and reconciliation to TAR
Transition period	Medium	<ul style="list-style-type: none">Leases are only brought on to the balance sheet in year of transition so 2027 accounts will look a bit odd and with an adjustment to reserves.
Statement of financial activities for tier 1	Medium	<ul style="list-style-type: none">A new template set out in the SORP may encourage T1 charities to use the more simplified “natural classifications” format rather than the activity basis (still required for tiers 2 and 3)
Management accounts	High	<ul style="list-style-type: none">May not be aligned with new leasing and income changes so may be more difficult to reconcile, or if changed, more difficult to understand
Eligibility and grant assessment	High	<ul style="list-style-type: none">Changes to assets and liabilities may impact metrics and assessment toolsSome organisations may exceed current thresholds due to the changes

*General sector rating. Each charity will be impacted differently

Charities SORP

Exposure Draft – proposed tiers

Receipts & Payments	R&P	Non-company UK charities (e.g. CIOs and unincorporated) with income less than £250,000
SORP	Tier 1	All charities applying accruals accounts (including all company charities) and with a gross income of not more than £500,000
SORP	Tier 2	All charities with a gross income falling above the tier 1 threshold and with a gross income of not more than £15m
SORP	Tier 3	All charities with a gross income falling above the tier 2 threshold

Income Recognition

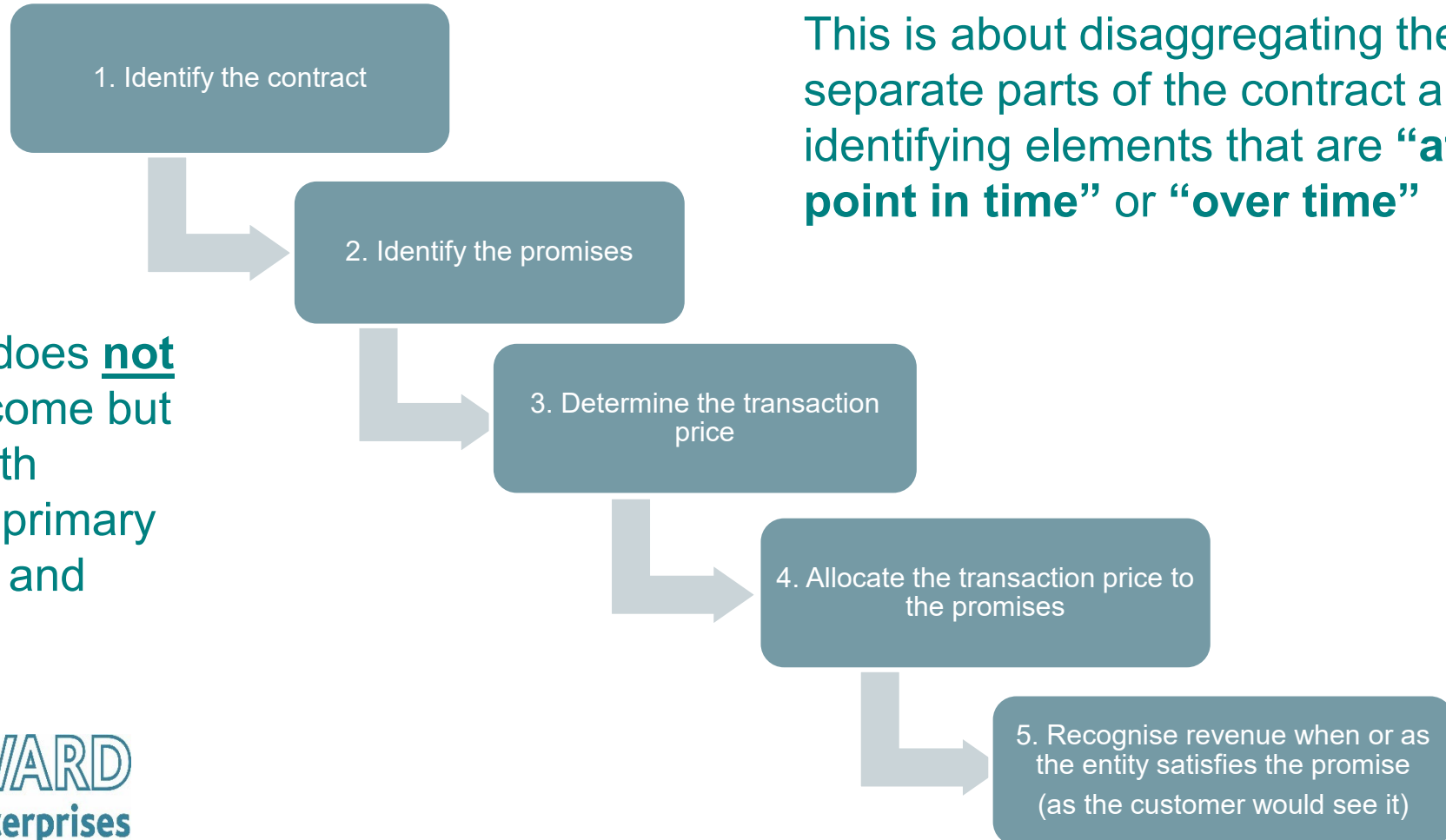
Changes in approach

Type of income	Examples	Current Recognition	New Recognition
Exchange	Contracts Sales Rental/room hire Business activities	Invoiced with adjustments for deferred & accrued income	5-step model (based on promises/deliverables)
Non-exchange	Grants Donations Legacies	Entitlement basis	Received/receivable or probable

5-step income recognition model for trading and contract income

introduced in new SORP/ FRS102 / FRS105

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This new model does **not** apply to grant income but **does** apply to both primary and non-primary purpose contract and business income

FRS 102 and Charities SORP

Income recognition examples for contracts

Separating distinct goods and services (step 2)

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Care package
Equipment
Dressings
Weekly visits



Annual membership
Free entrance
Quarterly journal
Annual event



Employment support
Equipment
Training
Transition support



Emergency alarm
Equipment
Monitoring service
Annual service

SORP Exposure draft

Overview of accounting treatment for operating leases for charities

Low value or short-term lease

- Exemptions in FRS102 that allow the current treatment as an expense and disclosures. Short term is less than 12 months.
- Low value is by “type” rather than £, and on a per asset basis

Market rate rental

- Unless it falls under the exemptions, then normal FRS102 “on balance sheet” lease accounting rules apply
- Net of commercial discounts and incentives

Below market rental

- Part lease, part donation
- Lease liability based on actual rental payments and right of use asset on this plus in-kind income element at value to the charity

Peppercorn or nominal value

- Treat as a donation in kind (non-exchange transaction)
- Based on the value to the charity

Low rent, below market and peppercorn leases

Accounting summary under new FRS102/SORP

Peppercorn or nominal

- Token or no rent
- Likely to be exempt as does not meet definition of a lease under FRS102 hence no adjustments needed although additional disclosures may be required

Low rent (market)

- Restrictions and performance obligations are reflected in the low rent
- Charity discounts that are commercial in nature
- Actual rent should be used for FRS102

Low rent (below market)

- Rent is below market even after taking account of any restrictions, obligations or commercial discounts.
- The difference between market rent (at value to the charity) and actual should be obvious as a donation and added as income upfront

Community asset transfer

- Careful judgment will be needed
- Restrictions and obligations will usually mean that the low rent is market value or could be a peppercorn
- Significant restrictions on use could mean being exempt (“control over asset”)

Exposure Draft SORP 2026 / FRS 102

Lease accounting rules and measurement

Is there a lease?

- A contract is, or contains, a lease if the contract conveys the **right to control** the use of an **identified asset** for a period of time in exchange for **consideration**.
- Does the lease fall under one of the exemptions – **short term** (less than 12 months) or **low value** (by type)
- Is the agreement a peppercorn or nominal value? – if so then could be exempt

Determine lease length

- **Non-cancellable** lease term +
- Periods covered by extension options that lessee is **reasonably certain** to exercise +
- Periods covered by termination options that lessee is **reasonably certain** to exercise

Identify lease payments

- Fixed lease payments (include in substance but deduct leases incentives)
- Variable lease payments (based on an index or rate)
- Residual value guarantees (amount expected to be paid)
- Exercise price of purchase options and any termination penalties

Apply discount rate

1. Interest rate implicit in the lease (where available)
2. Incremental or obtainable borrowing rate
3. Interest otherwise obtainable on deposits (charities/PBEs only and when other options not practicable)

Midminster Community Association

MARKET RENT EXAMPLE

Based on a 10-year lease with 9 years remaining at the transition date of 1st April 2026 (5-year break clause) at an annual market rent of £15k

a) New requirements from Jan 2026

	Y2027	Y2028	Y2029	Y2030	Y2031	Y2032	Y2033	Y2034	Y2035	Total
	£	£	£	£	£	£	£	£	£	£
Fixed Assets										
ROU Asset	120,025	106,689	93,353	80,017	66,681	53,345	40,008	26,672	13,336	120,025
Depreciation	(13,336)	(13,336)	(13,336)	(13,336)	(13,336)	(13,336)	(13,336)	(13,336)	(13,336)	(120,025)
Net Book Value	106,689	93,353	80,017	66,681	53,345	40,008	26,672	13,336	-	-
Lease Liabilities										
Opening liability	102,025	93,147	83,736	73,760	63,185	51,977	40,095	27,501	14,151	102,025
Annual payment	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(135,000)
Financing costs	6,122	5,589	5,024	4,426	3,791	3,119	2,406	1,650	849	32,975
Closing liability	93,147	83,736	73,760	63,185	51,977	40,095	27,501	14,151	-	-
Creditors										
Delapidations provision	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	
Income and Expenditure										
Depreciation	(13,336)	(13,336)	(13,336)	(13,336)	(13,336)	(13,336)	(13,336)	(13,336)	(13,336)	(120,025)
Financing costs	(6,122)	(5,589)	(5,024)	(4,426)	(3,791)	(3,119)	(2,406)	(1,650)	(849)	(32,975)
I&E Cost	(19,458)	(18,925)	(18,360)	(17,762)	(17,127)	(16,455)	(15,742)	(14,986)	(14,185)	(153,000)

Lease length (years)	9	Remaining at date of transition
Annual rent	£15,000	
Discount rate	6%	
Net present value/ ROU Asset	£102,025	
Delapidations provision	£18,000	
ROU assets recognised	£120,025	

Implicit interest	£32,975
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b) Current requirements

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Total
	£	£	£	£	£	£	£	£	£	£
Income and Expenditure										
Rent	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	135,000
Delapidations provision	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	18,000
I&E Cost	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	153,000
Difference	(2,458)	(1,925)	(1,360)	(762)	(127)	545	1,258	2,014	2,815	-

Non-charity not for profit organisations

Using small company or micro entity frameworks

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Small Companies (FRS 102/FRS 102 S1A)

- *Most CICs (although not a requirement)*
- *Community Benefit Societies*
- *Companies limited by guarantee*
- *Private companies (if not using FRS105/micro)*

Key Changes:

- Leasing on balance sheet
- New income recognition model
- Some disclosure requirements that were exempted for small companies under section 1A, will now be required (e.g. full related party disclosures and for provisions and contingencies)

Micro Entities (FRS105)

Where below micro entity thresholds:

- *Some CICs*
- *Companies limited by guarantee*
- *Private companies*

Key Changes:

- New income recognition model (some simplifications in initial implementation and for disclosures)

It is not just charities that are impacted by the underlying changes in accounting frameworks. Companies using FRS102 or micro-entities (FRS105) will also be impacted

FRS102 / SORP 2026

Approaches for management accounts

Leasing

SORP/FRS102 approach

- Rent replaced with depreciation & interest
- Consistent with year end
- More complex to do and understand

Year end approach

- Rent as expense in management accounts
- Balance sheet only fully up to date at Y/E
- Y/E differences and reconciliation

Hybrid approach

- Post rent payments (for FRS102) leases to “leasing costs” in year and disaggregate at Y/E
- Cost and Y/E adjustment will be clearer to see

Income Recognition

SORP/FRS102 approach

- Use 5-step model and consistent with Y/E
- More complex to do and understand
- May need software functionality/spreadsheets

Year end approach

- Income on invoiced bases (plus deferred)
- Consistency with current approach
- Y/E differences and reconciliation

Hybrid approach

- Use 5-step for major contracts/income in year
- May be less complex to implement
- Adjust at Y/E for other income

YIF CSO Offer

Financial Management sessions

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Webinars

- **How to know you're running out of money before it happens -**
Cashflow (12th February 2026)
- **Don't panic at year-end:** What to know before your audit or charity
accounts (17th March 2026)

February events (3rd, 5th, 10th)

- **Low-budget, high-impact: How we did more with less**

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