Charity News Spring 2026

Updates on Accounting, Tax, and Governance for Charities

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Our Charity News provides recent updates on guidance and support for the not-for-profit sector, highlighting new guidance issued by charity regulators. Additionally, we examine the impact of recent legislative changes, reporting requirements, tax developments, and other relevant issues, offering insight into the sector's most pressing topics and up-to-date guidance.

The newsletter is applicable to the whole of the United Kingdom and makes reference to the three UK charity regulators:

- the Charity Commission for Northern Ireland (CCNI);
- the Office of the Scottish Charity Regulator (OSCR) and;
- the Charity Commission for England and Wales (CCEW).

All the articles may be of interest; however, to aid you we have included the following key:

Hot topics

Key

- United Kingdom
- England
- Wales
- Scotland
- Northern Ireland

Spring Statement 2026 and wider UK economic outlook – Implications for the Charity Sector

The 2026 Spring Statement confirmed a difficult economic environment for charities as rising energy costs, inflation risks linked to global instability, and higher unemployment forecasts place additional strain on organisational resources. Demand for mental health services, welfare support, housing assistance, and crisis interventions is expected to rise as households struggle with persistent financial challenges. At the same time, donor capacity may weaken as disposable incomes shrink, intensifying competition for voluntary income. The Statement offered no new measures targeted at charity sustainability, underscoring the need for organisations to strengthen financial resilience and adapt service models. Charities must focus on strategic planning, building flexible funding pipelines, and demonstrating impact to encourage donor retention. As economic uncertainty persists, charities will continue to play a critical role in supporting vulnerable individuals and communities, making operational efficiency and sustainable funding more important than ever.

We take a look at some of the key impacts below.

National Minimum Wage, Living Wage and Youth Rate Increases

The April 2026 increases to the National Minimum and Living Wages (NLW) and youth rates will have notable implications for charities across the UK. Many organisations rely heavily on frontline staff—support workers, care teams, youth workers, community outreach coordinators—whose wages often sit near statutory minimums.

While the rise will undoubtedly support employees facing persistent cost-of-living pressures, it presents a financial challenge for employers already under strain, doubly so for employers committed to matching the recommended real Living Wage in addition to meeting the statutory minimum. Rising wage costs place pressure on service delivery budgets, particularly where contractual income from public sector commissioners has not kept pace with inflation. Some charities may face difficult decisions regarding staffing structures, recruitment freezes, or reducing programme hours to accommodate the increased payroll expenditure. Strategic workforce planning will become essential, with organisations needing to balance fair pay with operational sustainability. Charities may also explore diversifying income streams or renegotiating funding contracts where possible. The broader context—frozen tax thresholds, longstanding inflation, and increased pension contributions—further compounds these pressures. Ultimately, the rise in the NLW underscores the need for long-term funding reforms across the sector, ensuring that wage-related policy changes do not disproportionately strain charitable organisations working to support the UK's most vulnerable communities.

Furthermore, fiscal drag - the phenomenon in which frozen tax thresholds push earners into higher tax brackets—continues to affect the charity sector in 2026. As staff receive pay rises to keep pace with living costs, more of their income becomes subject to elevated tax and National Insurance bands. For charities, this results in higher employer NIC contributions and increased pension obligations, compounding overall payroll expenditure. These pressures are particularly acute for organisations with large workforces or service delivery models reliant on paid care staff. Charities must adjust financial forecasts to reflect these additional costs and consider options such as restructuring roles, investing in productivity tools, or revisiting pay progression frameworks. Ensuring transparent communication with employees about tax impacts and take-home pay will also be important for retention and morale. In the long term, fiscal drag highlights structural challenges within charity funding models, emphasising the need for sustainable commissioning rates and funding that reflects true delivery costs.

Find out more: click here

Removal of the Two-Child Benefit Cap (from April 2026)

The removal of the two-child benefit cap marks a substantial shift in social policy, with significant implications for families and the charities that support them. This change is expected to reduce child poverty levels and improve financial stability for households previously constrained by the policy. For charities working in areas such as financial wellbeing, family support, homelessness prevention, and food poverty, the reform may gradually lessen demand for emergency interventions. However, its full impact may take time to materialise, as broader economic conditions—rising housing costs, inflation, and insecure employment—continue to place pressure on low-income families. Charities will need to monitor shifts in service demand carefully and may have opportunities to refocus resources toward preventative programmes, skills development, or early-intervention initiatives. While the policy reversal is widely welcomed within the sector, it sits within a broader context of ongoing welfare reforms, many of which continue to present challenges for vulnerable households and the organisations supporting them.

Find out more: click here

The Gulf Conflict and sector impact

The escalating Gulf conflict presents a fast-emerging and potentially severe threat to the financial stability of UK charities. According to sector analysis, charities have already endured six consecutive years of near-continuous crisis, moving from the Covid shock to the cost-of-living emergency, and then into a third crisis triggered by profound government funding cuts in 2023, after which fundraising never fully recovered to previous levels. This prolonged period of strain has left many organisations in a notably weakened and exhausted state, with depleted reserves and limited capacity to absorb further shocks.

The developing conflict threatens to deliver what experts are calling a “triple blow”: falling real-terms income, surging demand for services, and rising operating costs. Against a backdrop of affordability driving declining public donations, the conflict raises the prospect of deeper reductions if the conflict continues to push inflation and energy prices upward. At the same time, government funding is under renewed threat; with inflation-driven public spending pressures increasing, analysts warn that further departmental cuts could mirror the severe reductions witnessed in 2023.

For frontline charities already stretched to their limits, this convergence of risks could trigger yet another sector-wide crisis—one that might be deeper and longer-lasting than those that came before. If the conflict escalates or persists, the sector may not see a full recovery until well beyond the end of the decade, with Charity Excellence warning that, if the conflict escalates or persists, the sector could experience its longest and deepest downturn yet, with little prospect of full recovery before 2028 under current conditions. In this environment, organisations must prioritise financial resilience, scenario planning and collaborative approaches to withstand the pressures ahead

Find out more: click here

Fuel Poverty: Rising Risks and the Need for Targeted Energy Support

The latest crisis in the Gulf arrives with many in the UK still struggling with the after effects of the previous energy shock in 2022. New analysis shows that the UK’s fuel-poverty crisis is deepening again, with millions of households facing unaffordable energy bills despite the easing of wholesale prices. Public First’s research estimates that 6.1 million households are now in fuel poverty, and that the average fuel-poverty gap has nearly doubled since 2020, rising to more than £400 a year—a clear indication that existing support is no longer keeping pace with need. With energy bills still around £700 higher than in 2021, households on low incomes, disabled people and older residents remain disproportionately affected.

The current Warm Home Discount reaches only a fraction of those who need it; around 2.5 million fuel-poor households miss out entirely, including many who are low-income, disabled or older. Public First warns that without reform—particularly with the scheme due to expire in April 2026—millions could face a support cliff-edge just as colder weather returns.

The Government has recently announced over £50 million in new funding to help households reliant on heating oil, a group experiencing some of the steepest rises in energy costs. While this is a welcome intervention, sector analysis suggests it is far from sufficient to close the widening affordability gap and energy challenges in general are likely to impact on future service demands for charities. Overall, the evidence points to a need for a long-term, targeted support model—one that reflects the higher energy needs of vulnerable groups and aligns help with income, rather than relying on schemes that exclude millions who are struggling most.

Find out more: click here and click here

Further tax and legislative updates - sector overview

Increased Scrutiny from HMRC on Charity Tax Compliance

HMRC's updated approach to charity tax compliance introduces a shift in emphasis from donor intent toward the outcomes and financial effects of transactions. This broadens the scope of eligible compliance investigations and requires charities to demonstrate clear governance, transparency, and consistency in financial decision-making. Areas such as legacies, investment arrangements, and donation structures will face heightened scrutiny. Organisations must therefore strengthen internal audit trails, ensure robust documentation, and regularly review financial policies to reflect best practice. Trustees should familiarise themselves with evolving tax guidance and consider obtaining specialist advice where needed. While the increased scrutiny may initially feel burdensome, it ultimately serves to protect both charities and donors by safeguarding the integrity of charitable funds and ensuring that tax reliefs are applied appropriately.

Find out more: click here

New VAT Relief for Business Donations of Goods

The introduction of VAT relief on business donations represents a significant shift in the financial landscape for UK charities. Historically, businesses donating goods—particularly new items—were required to account for output VAT, creating a financial barrier that limited the volume of charitable donations. From April 2026, the removal of this VAT liability allows businesses to donate items freely, without incurring additional costs. This reform could dramatically increase the flow of valuable goods such as technology equipment, furniture, home goods, and essential supplies into the charity sector. For charities, the implications extend far beyond simple cost savings. Organisations providing frontline support, emergency relief, digital inclusion initiatives, or community services will now have opportunities to expand programmes while reducing direct procurement costs. However, this expansion also introduces new operational considerations. Charities will need to ensure robust systems for inventory tracking, secure storage, and ethical allocation of donated goods. Transparency will be essential to maintain public trust, requiring well-structured audit trails and governance processes. Despite these challenges, the VAT change marks an important step toward strengthening supply-chain-based philanthropy and fostering deeper collaboration between the business community and the third sector, helping charities extend their reach and impact.

Find out more: click here

Updates on Corporate, Tax and Charity Law for Charitable Companies

Over the past six months, a number of regulatory changes are likely to be particularly relevant for charities and charitable companies. The ongoing implementation of the Economic Crime and Corporate Transparency Act has brought a stronger focus on corporate transparency and accountability. Key changes include increased powers for Companies House to challenge and remove inaccurate information, and preparation for new identity verification requirements for company directors and people with significant control.

From November 2025, directors and People with Significant Control (PSCs) are now required to verify their identity before they can be appointed or registered, whether via the government's online portal or via the services of an Authorised Corporate Service Provider (ACSP) such as an accountant or solicitor. Charitable companies should ensure their governance, filings and statutory records are accurate and up to date in anticipation of these reforms becoming fully operational.

There have also been developments affecting the filing of corporation tax returns. While Making Tax Digital for corporation tax has been deferred, HMRC has continued to emphasise improved digital record-keeping and timely, accurate submissions. Charitable companies remain responsible for filing corporation tax returns where required, even where profits are largely exempt, and should ensure systems and processes are robust.

In addition, several provisions of the Charities Act 2022 have come into force in recent months. These include greater flexibility around fundraising appeals, expanded powers to make ex gratia payments, and simplified rules for paying trustees for providing goods. Together, these changes are intended to reduce administrative burdens while maintaining oversight, and trustees should review policies and delegations to ensure they reflect the new legal framework.

Find out more: click here, click here, and click here

Fundraising outlook

Charity Commission: Updated fundraising guidance

The Charity Commission has released an updated version of its fundraising guidance, CC20, setting out trustees' responsibilities for how fundraising is planned, managed and overseen. The revised guidance aims to clarify legal duties but is intended as a high-level framework rather than a detailed operational manual. Day-to-day fundraising practice continues to be governed mainly by the Code of Fundraising Practice.

A key focus of the guidance is trustee oversight. Trustees are expected to agree a clear fundraising strategy, set an appropriate budget and ensure that suitable policies and controls are in place. While reference is made to planning and risk management, these tasks are often carried out by staff, with trustees responsible for direction, scrutiny and assurance.

The guidance confirms that there is no prescribed or "acceptable" level of spending on fundraising. Trustees have discretion to decide what represents reasonable and proportionate expenditure for their charity. However, it also suggests that fundraising materials should explain whether donations are used to cover fundraising costs and, where relevant, indicate the scale of those costs, which may be challenging for some organisations to implement consistently.

The guidance also touches on working with professional fundraisers and commercial partners, offering general signposting while recognising the complexity of the legal requirements involved.

Find out more: click here

Donor numbers decline, average donations increase

The donor landscape continues to shift as economic pressures reshape patterns of individual giving, with affordability unsurprisingly featuring prominently as a key barrier to giving. Recent trends highlight consolidation: overall donor numbers have declined, yet those who remain engaged are giving more frequently and at higher values. This presents both an opportunity and a risk for charities. On one hand, committed supporters demonstrate deeper loyalty and increased responsiveness to appeals grounded in clear impact and transparency. However, reliance on a smaller donor base increases vulnerability; the loss of even a handful of major supporters could materially affect income stability. Charities must therefore invest in sophisticated stewardship strategies that focus on relational, personalised engagement. Data segmentation, tailored communications, and impact-led reporting will become central to retention. AI adoption and embracing an overall data-led approach continues to offer great opportunities for organisations to strategically tailor their interactions with existing and prospective donors.

This trend also suggests a generational shift. Younger donors are giving less consistently but remain responsive to cause-led, values-driven appeals. Charities adopting flexible giving models—monthly micro-donations, digital campaigns, and peer-led fundraising—may be better placed to diversify their donor base. As donor consolidation continues, organisations should prioritise loyalty-building activities, demonstrating both financial accountability and real-world difference to maintain income resilience.

Find out more: click here

Regulatory and reporting news

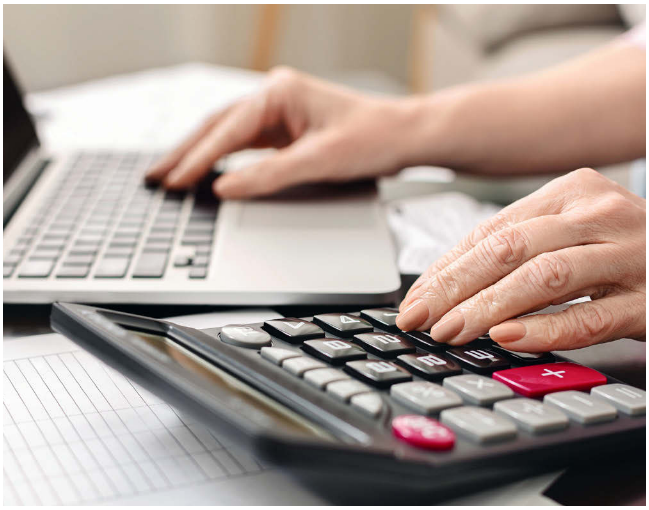
Charity Commission Leadership Changes (2026 Onward)

Leadership changes at the Charity Commission mark an important moment for the regulatory landscape. New strategic direction is expected to emphasise data-driven oversight, improved case-handling efficiency, and enhanced expectations around governance and safeguarding. Charities may experience more proactive communication from the Commission, accompanied by clearer frameworks for compliance. As scrutiny intensifies around areas such as trustee decision-making, conflicts of interest, and financial resilience, trustees should ensure that internal policies and reporting mechanisms remain robust. This leadership shift may result in updated guidance documents, simplified regulatory language, and expanded self-service compliance tools for smaller charities. Nonetheless, the Commission's overarching goal remains the same: safeguarding public trust in the charitable sector. Organisations that invest in strong governance, transparency, and risk management will be well-placed to adapt to this evolving regulatory environment.

Find out more: click here

Proposed New Commission Powers

The anticipated 2026 consultation on new Charity Commission powers signals a move toward strengthened regulatory oversight. Among the proposed changes are expansions to trustee disqualification rules and enhanced enforcement mechanisms designed to address misconduct or mismanagement more swiftly. These proposals reflect concerns about safeguarding the integrity of the charity sector, particularly surrounding financial governance, safeguarding breaches, and deliberate misuse of charitable structures.



For charities, this evolving regulatory landscape underscores the importance of robust trustee recruitment and training processes. Enhanced due diligence, improved induction pathways, and regular governance reviews will become increasingly important. Organisations operating in complex or high-risk environments may need to invest further in compliance frameworks and specialist legal advice. While strengthened powers may introduce new challenges, they also aim to protect the reputation of the wider sector by ensuring that wrongdoing is addressed efficiently and transparently. Changes are currently being implemented by the Charity Commission in England & Wales only - however, there is scope for these powers to be expanded to Scotland and Northern Ireland in future.

Find out more: click here

Reminder - new SORP becomes effective

As we highlighted in the previous edition of the newsletter, the 2026 Charities Accounting Statement of Recommended Practice (the "SORP") was issued in November 2025 and is effective for accounting periods beginning on or after 1 January 2026. The updates to the SORP are principally to reflect changes to the underlying FRS 102 reporting framework, in particular in relation to the new five step revenue recognition model for contracts with customers and the requirement to bring leases on to the balance sheet via the recognition of right of use assets, amongst other changes. The new SORP interprets and provides sector specific guidance for application of the new reporting standards by charities.

Audit and independent examination threshold updates

The threshold at which a charity must be audited or procure an independent examination is changing in England and Wales.

Whether or not a charity requires an audit will depend mainly upon how much income is received or generated and their year end. The income limit varies according to the type of charity as follows. For periods **ending after 30 September 2026**:

- all charities where income exceeds £1,500,000 in a financial year require an audit (*for periods ending on or before 30 September 2026: £1,000,000*)
- charities (both incorporated and unincorporated) require an independent examination where their income falls between £40,000 and £1,500,000 in their financial year (*for periods ending on or before 30 September 2026: £25,000 to £1,000,000*)
- where income is over £500,000 the independent examiner must be suitably qualified (*for periods ending on or before 30 September 2026: £250,000*).

For charities with assets above £5m, the income threshold from 1 October 2026 onwards will be £500k (rising from £3.26m and £250k respectively for periods finishing on or before 30 September 2026).

Find out more: click here

Meanwhile, in Scotland, the income threshold over which an audit is required has already risen from £500k to £1m. However, as the relevant assets threshold remains at £3.26m, Scottish charities with assets above this level must procure an audit, regardless of their income. However, there are currently no plans to revise the equivalent thresholds in Northern Ireland.

Find out more: click here and click here

Northern Ireland: Charities (Amendment) Bill Consultation: Key Points for the Voluntary and Community Sector

However, despite the lack of a proposal for increased audit thresholds, the Department for Communities has opened a public consultation on a draft Charities (Amendment) Bill, which proposes changes to the Charities Act (Northern Ireland) 2008. The consultation runs from 27 March to 24 April 2026 and is largely intended to implement recommendations from the Independent Review of Charity Regulation published in 2021.

The draft Bill mainly focuses on strengthening the powers of the Charity Commission for Northern Ireland. Proposed changes include new powers to issue official warnings, direct trustee actions, share information more widely, and extend disqualification and removal powers to trustees who have resigned following investigations. These measures are designed to improve regulatory oversight and public confidence in the sector.

The Bill also proposes changes to charity accounting and reporting. These include limited flexibility to prepare accruals accounts following exceptional income, new requirements to value assets and liabilities, and allowing the Department to prescribe the format of receipts and payments accounts. A simplified reporting framework is proposed for very small charities, potentially reducing administrative burdens.

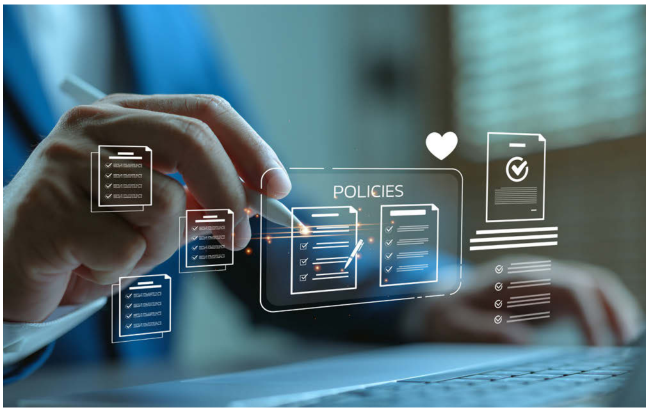
The draft legislation would also repeal Section 167, affecting charities registered outside Northern Ireland but operating there.

Find out more: click here

Important Changes to the Scottish Charity Register from March 2026

From 9 March 2026, charities registered in Scotland will see significant changes to the information published on the Scottish Charity Register. These updates, introduced by the Office of the Scottish Charity Regulator, represent the final stage of reforms under the Charities (Regulation and Administration) (Scotland) Act 2023 and are intended to improve transparency, accountability and public trust in the sector.

One of the key changes is the publication of the first and last names of all charity trustees on each organisation's Register entry. While OSCR already holds more detailed trustee information for regulatory purposes, only names will be made public, with exemptions available in limited circumstances, such as where there are safety concerns.



Another major change relates to financial reporting. Any annual reports and accounts submitted from 9 March 2026 onwards will be published in full on the Register, without any redactions. Charities will therefore need to ensure that all content included in these documents is necessary, accurate and appropriate for public access.

In addition, the Register will display more organisational information already collected through annual returns, including a charity's description of its activities, and the number of staff, trustees and volunteers. Charities are encouraged to review and update their information and reporting processes ahead of the changes coming into force.

Find out more: click here