Charity News Autumn 2026

Updates on Accounting, Tax, and Governance for Charities



Baines Jewitt
CHARTERED ACCOUNTANTS
AND BUSINESS ADVISERS

Spitfire House, 19 Falcon Court,
Preston Farm Industrial Estate,
Stockton-on-Tees, TS18 3TU

(01642) 632032
info@bainesjewitt.co.uk

www.bainesjewitt.co.uk



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

Lease Accounting: Preparing for the Balance Sheet Impact

For many charities, one of the most significant financial reporting changes arising from the latest Charities SORP and FRS 102 revisions is lease accounting. Historically, many operating leases were treated as a straightforward expenditure item in the Statement of Financial Activities (SoFA). Going forward, most leases will instead need to be recognised on the balance sheet, bringing both a right-of-use asset and a corresponding lease liability into the accounts.

While the change is largely accounting-driven, its practical implications can be much wider. Charities with property leases, vehicle fleets or significant equipment arrangements may see substantial increases in reported assets and liabilities. This could affect financial ratios, covenant calculations and the way stakeholders perceive financial position and resilience.

The challenge for finance teams is often less about the accounting entries themselves and more about identifying all relevant leases, gathering historical information and implementing processes to capture future changes. Trustees should also understand the wider implications before year end.

Those charities that have not yet undertaken a detailed review of their lease portfolio may find that advance preparation pays dividends when it comes to producing compliant and accurate financial statements.

Find out more: **Home - SORP, Charities Statement of Recommended Practice (SORP) 2026 | ICAEW**

Know Your Donor, Know Your Partner: Why Due Diligence Matters

Recent reports that the Charity Commission has launched a statutory inquiry into international aid charity Al-Khair Foundation provide a timely reminder of the importance of due diligence and oversight in the charitable sector. The inquiry is reportedly examining allegations relating to links between an overseas partner and Hamas, with the regulator expected to consider matters such as trustee due diligence, oversight of international partners and the monitoring of funds deployed overseas. The charity has stated that it is cooperating fully with the investigation and has emphasised that the individual at the centre of the allegations was employed by one of its implementing partners rather than by the charity itself.

While the circumstances of this case are highly specific, the governance lessons are relevant to charities of all sizes. Trustees are increasingly expected to understand not only who is donating to their organisation, but also who they are working with, particularly where activities are delivered through third-party organisations, overseas partners or complex funding arrangements. The Charity Commission has indicated that part of its inquiry will examine whether appropriate checks and due diligence were performed and whether trustees had effective systems in place to monitor the end use of charitable funds.

For many charities, donor due diligence has become an increasingly important topic. Accepting funding without understanding its source can create legal, regulatory and reputational risks. However, the same principle applies to grants, partnerships and service delivery arrangements. Trustees should be satisfied that funds are being used for their intended charitable purposes and that appropriate controls exist to identify and manage risk.

The level of scrutiny required will depend on the circumstances, but a proportionate approach is often key. Larger donations, higher-risk jurisdictions, new delivery partners and unusual funding arrangements may warrant enhanced review. Equally important is ensuring that decisions are documented and that charities have clear policies setting out how potential risks will be assessed and managed.



As charities operate in an increasingly complex and interconnected environment, effective due diligence is becoming a core part of good governance. Whether considering a new donor, a funding partner or an overseas delivery organisation, trustees should remember that protecting charitable funds and maintaining public trust begins with understanding who they are dealing with and why.

Find out more: **Regulator restricts aid charity's spending as alleged links with Hamas investigated, Charity watchdog investigates aid charity over alleged Hamas links - BBC News**

Diversifying Income in a Challenging Funding Landscape

Financial resilience continues to be a major area of focus for the charity sector. The Charity Commission's recently published *Charity Sector Risk Assessment 2026* highlights the ongoing financial pressures faced by charities and the impact these challenges can have on an organisation's ability to deliver its charitable purposes.

Against this backdrop, many trustees and finance teams are considering whether their existing funding models remain sufficiently resilient. Reliance on a single source of income can expose organisations to significant risk if funding priorities change, donor behaviour shifts or economic conditions deteriorate.

Income diversification continues to be one of the most effective ways of reducing this concentration risk. Following several years of economic pressure, organisations are increasingly recognising the risks associated with over-reliance on any single funding source.

Historically, some charities have enjoyed stable income from grants, donations or service contracts. However, shifts in funding priorities, inflationary pressures and increasing competition for support have highlighted the importance of developing a broader and more resilient income base.



Diversification can take many forms. Some charities are expanding individual giving programmes, whilst others are strengthening relationships with corporate partners, exploring social investment opportunities or developing trading activities that support their charitable objectives. For larger organisations, there may also be opportunities to optimise investment income or diversify grant funding sources.

Of course, diversification should not be pursued for its own sake. Trustees should carefully consider whether proposed income streams align with the charity's mission, resources and risk appetite. New initiatives often require investment and may not deliver immediate returns.

The most successful approaches are often those that balance innovation with realism, ensuring the charity remains financially sustainable while continuing to focus on delivering impact for beneficiaries.

Find out more: **Charity Commission: Charity Sector Risk Assessment 2026**, **Grant Thornton: Charity Sector Development Report 2026**, **Charity Finance Group: How can your charity approach income diversification?**

Impact Reporting: Telling the Story Behind the Numbers

Financial statements remain an essential component of accountability, but many stakeholders now want to know more than simply how much money a charity has received and spent. Increasingly, donors, grant makers and regulators are interested in understanding the outcomes that funding has achieved.

Recent developments in charity reporting place greater emphasis on demonstrating impact, outcomes and public benefit. Enhanced reporting expectations encourage charities to provide a clearer narrative about how activities contribute to charitable objectives and create meaningful change.

For finance teams, impact reporting presents both opportunities and challenges. Measuring outcomes is rarely straightforward, particularly where benefits are long term or difficult to quantify. Nonetheless, organisations that can effectively connect financial resources to tangible outcomes are often better positioned to build donor confidence and secure future support.

The strongest reports combine both quantitative and qualitative information. Statistics can help demonstrate scale, while case studies and beneficiary stories provide context and bring the charity's work to life.

As expectations continue to evolve, charities should consider whether their current reporting framework provides stakeholders with a clear picture of both financial stewardship and charitable impact.

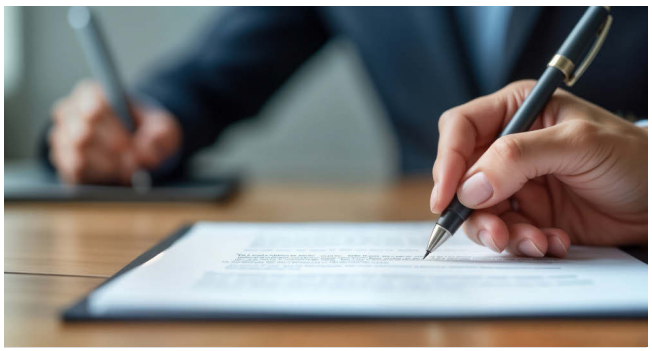
Find out more: **Upcoming Changes to Charity Accounting: Preparing for SORP 2026 and New Reporting Thresholds - Simmons Gainsford**, **Changes to charity accounting and reporting - GOV.UK**

Companies House Identity Verification: What Trustees Need to Know

The introduction of Companies House identity verification represents one of the most significant governance developments affecting charitable companies in recent years. The new regime forms part of wider reforms designed to improve the reliability and transparency of information held on the Companies House register.

Under the new requirements, directors and persons with significant control must verify their identities. For charitable companies, this means trustees who serve as company directors will need to ensure they comply with the relevant verification procedures. Companies House has indicated that verification may be completed directly through its systems or through authorised intermediaries.

Although the process itself may appear relatively straightforward, charities should not underestimate the administrative burden involved, particularly where boards comprise numerous trustees or where trustee turnover is high.



Trustees should also consider how verification forms part of broader governance arrangements. Accurate statutory records, timely filings and effective onboarding procedures are becoming increasingly important as regulatory expectations continue to evolve.

Taking steps now to understand the requirements and plan implementation may help charities avoid compliance challenges later and ensure good governance arrangements remain firmly in place.

Find out more: **Verifying your identity for Companies House - GOV.UK**, **Charitable Companies: Changes to Companies House ID verification regime - Winckworth Sherwood LLP**

Trust, Transparency and Technology: Maintaining Support in a Changing Environment

For charities, maintaining the confidence of donors, beneficiaries and other stakeholders has never been more important. Recent Charity Commission research suggests that trust in charities remains resilient, with charities continuing to outperform most other institutions in terms of public trust. However, the same research highlights the pressures facing the sector. Affordability concerns continue to affect charitable giving, while supporters increasingly expect charities to demonstrate both impact and accountability. The research also found that people want reassurance that funds are reaching their intended causes and making a meaningful difference.

Against this backdrop, trustees are facing growing expectations around fundraising oversight. The Charity Commission has recently updated aspects of its fundraising guidance, recognising that many charities must work harder than ever to attract donations while simultaneously responding to increasing demand for their services. Fundraising is not simply an operational matter delegated to staff or external agencies. Trustees retain ultimate responsibility for ensuring fundraising activities are properly governed, ethically conducted and aligned with the charity's objectives and values.

Good fundraising governance extends beyond regulatory compliance. Effective trustee oversight can help charities manage reputational risks, monitor third-party fundraising arrangements and ensure supporters receive clear information about how their donations are being used. In an increasingly competitive fundraising environment, organisations that can demonstrate strong governance arrangements may find themselves better positioned to build lasting relationships with donors.

Transparency also plays a critical role. Donors increasingly want evidence that charities are delivering meaningful outcomes rather than simply reporting financial results. While annual accounts remain an essential component of accountability, stakeholders increasingly expect charities to explain how resources have been used, what impact

has been achieved and how strategic decisions have been made. Research commissioned by the Charity Commission indicates that demonstrating impact is becoming an increasingly important driver of trust alongside traditional measures such as financial stewardship.



At the same time, the sector continues to move towards greater digitalisation and accessibility of reporting. Government and regulatory initiatives are encouraging more standardised reporting and greater accessibility of financial information, reflecting wider expectations around transparency and accountability. For many charities, this presents an opportunity to review financial reporting processes, data collection systems and stakeholder communications. Organisations that invest in robust reporting systems may be better equipped to provide timely information to trustees, funders and donors while also responding to evolving regulatory expectations.

Ultimately, public trust is not built through a single annual report, fundraising campaign or governance process. It is earned through consistent stewardship, responsible decision-making and clear communication. At a time when many charities face increasing financial and operational pressures, those organisations that can successfully combine strong governance, transparent reporting and effective engagement with supporters may be best placed to maintain confidence and secure sustainable support for the future.

Find out more: Measuring public trust in charities: why the research matters – Charity Commission

Preparing for a More Digital Future in Charity Reporting

The charity sector continues to move towards greater standardisation, accessibility and digitalisation of financial reporting. While the transition may take time, the direction of travel is increasingly clear.

Alongside changes to charity accounting thresholds, the government has indicated an intention to improve the accessibility of charity financial information and explore greater standardisation of reporting formats. These developments form part of a broader effort to make financial information easier to prepare, analyse and compare.

For finance teams, this presents an opportunity to review existing processes and systems. Organisations that continue to rely heavily on manual processes or disconnected spreadsheets may find it harder to respond to future reporting requirements and stakeholder expectations.

Digitalisation is not simply about compliance. Better data collection and reporting tools can improve decision-making, strengthen governance and provide trustees with more timely insights into financial performance and risk.

As reporting requirements continue to evolve, charities that invest in robust financial systems, sound data management practices and effective reporting processes may find themselves better equipped to meet both regulatory expectations and the needs of donors, trustees and beneficiaries alike.

Find out more: Charity Digital Skills Report 2026

The Rising Cost of Delivery: When Demand Rises Faster Than Funding

For many charities, the financial challenges of recent years show little sign of easing. While inflation has moderated from its peak, many organisations continue to face increasing operating costs at the same time as demand for services remains exceptionally high. Households struggling with the cost of living are placing greater pressure on food

banks, debt advice providers, homelessness charities and organisations supporting vulnerable individuals and families.

This creates a difficult balancing act for trustees and finance teams. Costs associated with delivering services, including staffing, utilities, transport and supplies, remain significantly higher than they were only a few years ago. At the same time, many donors and grant funders are facing their own financial pressures, potentially limiting future income growth.

The challenge is not simply one of short-term budgeting. For many organisations, sustained increases in demand raise important strategic questions about service delivery, prioritisation of resources and long-term financial resilience. Charities may need to review whether existing funding models remain sustainable and whether reserves policies provide sufficient flexibility to respond to changing circumstances.

In an environment where need continues to outpace available resources, robust financial planning, cash flow forecasting and scenario modelling are becoming increasingly important tools for trustees seeking to fulfil their charitable objectives while maintaining financial sustainability.

Find out more: **Record numbers cannot afford the essentials: JRF's cost of living tracker, summer 2026 | Joseph Rowntree Foundation, Charities Under Strain: How the Cost of Living Crisis Continues to Impact Essential Services in 2026 - Ludlow Trust**

The National Insurance Challenge: A Cost Many Charities Are Still Absorbing

Although the increase in employer National Insurance contributions came into effect some time ago, many charities continue to feel its financial impact. Unlike many commercial organisations, charities often have limited ability to pass increased costs on to customers, leaving them to absorb additional expenditure through existing income streams, efficiency savings or reserves.

The sector has consistently raised concerns about the cumulative effect of rising employment costs. Estimates produced by representative bodies suggested that the National Insurance changes could add around £1.4 billion annually to the cost base of the charity sector, placing significant pressure on organisations already operating within challenging financial conditions.



For many charities, staffing costs represent one of the largest components of expenditure. As a result, increases in employment taxes can have a direct impact on service delivery, recruitment plans and future investment decisions. Some organisations have reported reviewing headcount growth, delaying projects or reassessing budget allocations in response to the additional costs.

While the impact will vary between organisations, the experience serves as a reminder of the importance of long-term financial planning. Trustees should ensure budgets and forecasts remain responsive to changing regulatory and economic conditions, particularly where staffing costs represent a significant proportion of expenditure.

Find out more: **Should charities be exempt from the employer NIC increase? | Sector Debates | Plinth, A Perfect Storm: Charity Leaders Face Difficult Decisions Ahead - CFG**

Cyber Security: No Longer Just an IT Issue

Cyber security is increasingly becoming a governance and financial management issue rather than simply a technological concern. Charities of all sizes rely heavily on digital systems for fundraising, financial management and the storage of donor, employee and beneficiary information, making them attractive targets for cyber criminals.

The consequences of a successful cyber attack can be significant. Financial losses, disruption to services, reputational damage and data protection breaches can all have lasting consequences for an organisation and its stakeholders. For charities delivering critical services, operational disruption may also directly affect beneficiaries.



Importantly, trustees remain responsible for managing the charity's resources responsibly, including understanding and addressing cyber risks. While day-to-day responsibility may be delegated to staff or external providers, oversight of cyber security should form part of the board's wider approach to risk management.

Practical steps need not be complex. Strong passwords, multi-factor authentication, regular software updates, secure backups and staff awareness training can all significantly reduce exposure to common threats.

Many charities may also benefit from reviewing whether cyber risks are appropriately reflected within their risk registers and governance processes.

As digital systems become increasingly central to charity operations, cyber resilience is rapidly moving from being a technical consideration to a core element of good governance and financial stewardship.

Find out more: Cyber Security for UK Charities 2026: What the Regulator Expects | CharityIQ

UK Autumn Budget 2026: What Charities Need to Know

The Chancellor's Autumn Budget contained few measures aimed directly at the charity sector, but several announcements are likely to affect charities through increased operating costs and changes to public spending priorities.

Of particular significance is the absence of any relief from recent employer National Insurance contribution increases, which continue to place pressure on charity finances. In addition, the National Living Wage will increase to £13.21 per hour from April 2027, creating further payroll cost pressures for organisations with large workforces.

The Budget did include some targeted spending commitments that may benefit charities operating in specific sectors. Additional funding has been announced for homelessness programmes, while further investment has been pledged to support delivery of the government's strategy to tackle violence against women and girls. Charities working in these areas may wish to monitor future funding opportunities arising from these commitments.

Despite calls from sector bodies, no significant reforms to Gift Aid or other charitable tax reliefs were announced. The wider economic outlook also remains challenging, with ongoing inflationary pressures expected to continue affecting both the cost of delivering services and donors' disposable incomes.

For trustees, the key implications are likely to be continued pressure on budgets, the need for robust financial forecasting and close monitoring of the impact of rising employment costs during 2027.

Disclaimer - for information of users: This newsletter is published for the information of clients. It provides only an overview of the regulations in force at the date of publication and no action should be taken without consulting the detailed legislation or seeking professional advice. Therefore no responsibility for loss occasioned by any person acting or refraining from action as a result of the material contained in this newsletter can be accepted by the authors or the firm.