

MARK J REES

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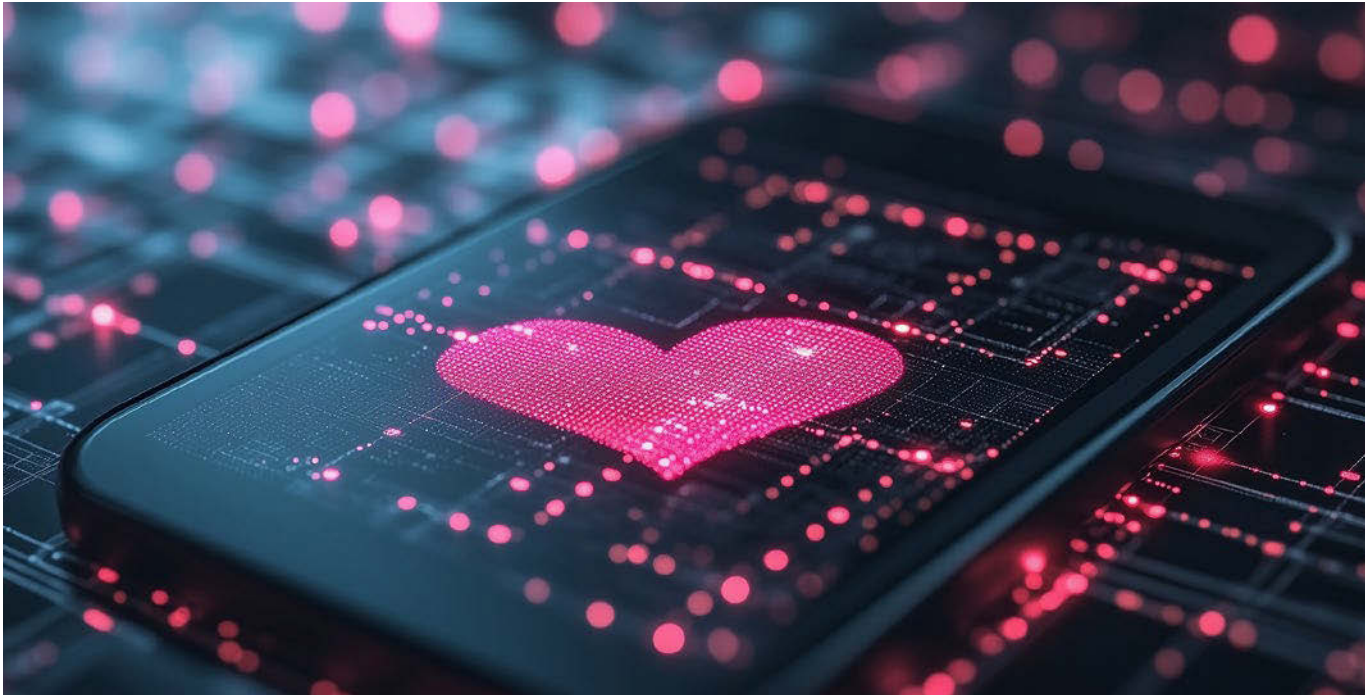
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Updates on Accounting, Tax,  
and Governance for Charities

A photograph showing a person's hands packing a cardboard box. The box is filled with folded clothes, including a white sweater, a yellow sweater, and a green sweater. A brown teddy bear is also visible inside the box. The person is wearing a blue plaid shirt and blue jeans. The box has the word 'DONATE' written on it. The background is a blurred indoor setting.

Spring  
**Charity  
News**  
2025








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:

**Key**

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

## Hot topics



### Charity fundraising trends in 2025

The charity fundraising landscape for 2025 is marked by several evolving trends. Key challenges include the potential reduction in government funding, which may affect charities relying on public sector support.

However, the sector is also embracing technological advancements, such as artificial intelligence, which can enhance fundraising efforts and streamline donor engagement. Charities are focusing on diversifying their income streams, including more personalised approaches to donor relations, and increasing transparency to rebuild trust with the public.

The Charity Excellence Framework has also issued an article detailing the fundraising trends and risks to be expected in 2025 these include:

**International Aid Cuts:** The US, as the largest aid funder, has significantly reduced aid, including

withdrawing from the WHO, worsening global health challenges like HIV/AIDS and Malaria. The UK has also cut its aid budget significantly, further impacting international development charities.

**Charity Funding Cuts:** Cuts to public sector grants and contracts are continuing, similar to 2023, which severely impacted fundraising resilience.

**Rising Demand and Costs:** Economic challenges and potential government budget cuts could drive higher demand for charity services, exacerbating the situation.

**Global Economic Risks:** US trade tariffs and potential global economic instability pose additional risks to charity funding.



For more guidance: [click here](#)



## Reflecting on the increase in the fundraising levy

The Fundraising Regulator has reflected on changes to the fundraising levy, implemented after a review in 2023. To ensure continued self-regulation and public trust, the levy will increase, with the largest charities bearing the highest costs. The increase will be phased in over two years, starting in September 2024 and continuing through September 2025. From September 2026, the levy will increase annually in line with inflation, ensuring that it reflects current economic conditions.

While the majority of charities have complied, a small minority (around 3%) have refused to pay the levy. Non-payers are now flagged in the regulator's directory, and their details are shared with the Charity Commission.

For more guidance: [click here](#)



## Charity Commission investigates multiple charities for financial reporting failures

The Charity Commission has opened separate statutory inquiries into multiple charities due to ongoing failures to submit financial accounts, raising serious concerns about transparency and governance.

**Investigation into an Accountancy Charity:** The regulator is examining a charity responsible for promoting financial expertise, after repeated failures to file required financial statements. The inquiry will assess whether funds have been appropriately managed and if trustees have met their legal obligations.

### SharedImpact and SharedImpact Foundation (UK)

**Limited:** These two charities, focused on improving financial efficiency in the sector, have consistently failed to submit their accounts. The regulator is investigating their financial controls and overall governance to determine whether charitable funds have been properly administered.

Failure to submit accounts not only breaches legal requirements but also undermines public trust in the sector. The Commission has the authority to take regulatory action if misconduct or mismanagement is found.

For more guidance: [click here](#) and [click here](#)



## Charity Commission investigates a faith charity for its financial controls

The Charity Commission has opened an inquiry into a charity, due to concerns over financial management. The investigation follows reports of bounced cheques, payments to related parties without disclosure, and trustees failing to cooperate with regulatory oversight.

The inquiry will examine:

- **Financial Controls** – Whether the charity has adequate systems in place to manage funds properly.
- **Trustee Conduct** – If trustees have acted in the best interests of the charity and fulfilled their legal duties.

- **Potential Mismanagement** – Whether there has been misconduct or misuse of charitable funds.
- **Regulatory Compliance** – The extent to which the charity has followed legal reporting and governance obligations.

For more guidance: [click here](#)



## Charity Banking Challenges Persist

Following our coverage in the last edition, the Charity Commission for Northern Ireland commented on the Charity Banking Challenges 2024 report issued by NICVA which confirmed that banking issues remain a major concern for charities. Many organisations continue to face difficulties such as long delays in opening accounts, unexpected account closures, and inadequate customer support.

Key challenges and issues with charity banking remain some of which include:

- **Barriers to Banking** – Some charities report waiting months to open an account, while others have had accounts shut without explanation.
- **Lack of Sector Understanding** – Banks often impose complex requirements that do not align with how charities operate, making financial management difficult.
- **Disruptions to Services** – Poor customer support and administrative delays hinder a charity's ability to pay staff, process donations, and manage grants.
- **Urgent Calls for Reform** – Sector leaders are calling for improved banking services tailored to charities, with recommendations for regulatory intervention if necessary.

As the situation develops, charities are urged to review their banking arrangements and seek alternative solutions where possible.

For more guidance: [click here](#) and [click here](#)



## Introduction of New Charity Investment Governance Principles

In January 2025, new Charity Investment Governance Principles were introduced to help charities improve the management of their investments. These principles provide a structured

approach for trustees to make informed, ethical decisions that align with the charity's mission while ensuring financial sustainability.

The introduction of the Charity Investment Governance Principles marks a significant step in improving investment practices within the charity sector. These principles offer charities a roadmap to make responsible, informed investment decisions, ensuring alignment with their core values while maintaining financial stability. Adopting these principles will help charities foster stronger governance, build trust, and secure a sustainable future.

### Trustee Responsibility and Ethical Investment

One of the key components of the new guidance is the enhanced role of trustees. They are now required to take a more active approach in overseeing charity investments, ensuring they understand the implications of investment decisions. Charities are also encouraged to integrate Environmental, Social, and Governance (ESG) factors into their investment practices, ensuring their decisions reflect the charity's values, such as avoiding investments that might undermine their mission or harm the environment.



### Transparency and Improved Governance

The guidance stresses the need for greater transparency in reporting investment decisions. Charities are now urged to provide clear and comprehensive reports that demonstrate how their investments align with their mission. Additionally, the principles focus on strengthening governance by encouraging charities to review and improve their internal controls, ensuring robust oversight of investment activities.

### Long-term Sustainability and Ethical Considerations

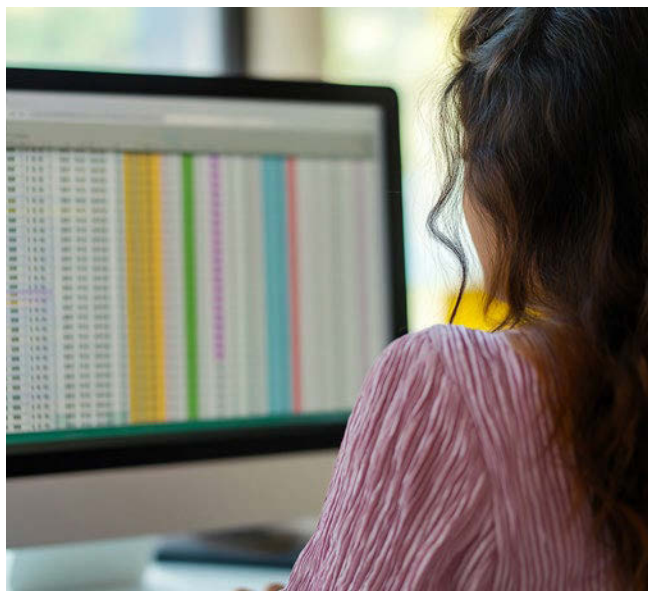
The new principles support charities in creating investment strategies that not only generate financial returns but also contribute to their long-term goals. They help charities strike a balance between ensuring financial sustainability and adhering to ethical standards. By following these principles, charities can maintain the trust of their supporters while navigating the challenges of an increasingly complex investment landscape.

**For more guidance:** [click here](#) and [click here](#)



### Upcoming Changes to Charity Regulations in Scotland: Improving transparency and accountability

In 2025, Scotland will implement significant changes to charity regulations, aimed at enhancing transparency and accountability within the sector. The new rules, stemming from the Charities (Regulation and Administration) (Scotland) Act 2023, will require charities to disclose more detailed information about their trustees and financial activities.



Currently, charities submit trustee details to the Scottish Charity Regulator (OSCR), but only limited personal information is made public. Names are visible, but addresses and dates of birth remain confidential. Likewise, charity accounts are submitted annually, but are redacted before being made available. Under the new regulations, however, full trustee details, including personal information, will be published, and charity accounts will be made fully accessible.

These changes are designed to increase public trust and transparency, allowing donors, funders, and the public to make more informed decisions. Charities will need to ensure that trustee information is accurate and that they are prepared for the full disclosure of financial accounts. This will not only improve governance but also demonstrate accountability to stakeholders.

Charities are strongly encouraged to review their internal processes and prepare for the upcoming changes to avoid delays or complications. For more information on the new regulations and how to comply, charities can visit the OSCR website.

**For more guidance:** [click here](#)



### Failure to Prevent Fraud Offence for Charities

From 1 September 2025, a new Failure to Prevent Fraud Offence will be enforced for large, incorporated charities that meet at least two of the following criteria: more than 250 employees, £36 million in income, or £18 million in total assets. The offence forms part of the Economic Crime and Corporate Transparency Act 2023.

This new offence means charities of this size must ensure they have appropriate systems and controls in place to prevent fraud within their operations. Failure to do so could result in significant legal consequences, including potential criminal charges.

Charities falling under these thresholds should act now to assess their internal processes and ensure they are compliant with the forthcoming regulations. It is essential for trustees and senior managers to understand their responsibilities and take proactive steps to implement fraud prevention strategies. This includes developing comprehensive policies, providing staff training, and regularly reviewing financial controls. Failure to implement these measures could expose the charity to substantial legal risks.

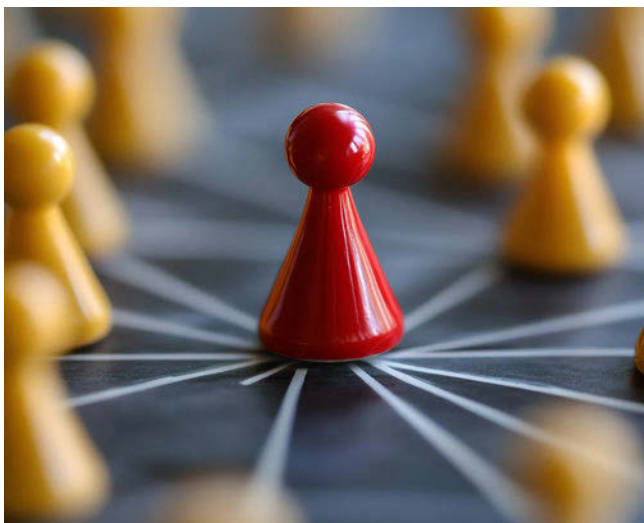
The aim of this new offence is to strengthen governance and encourage organisations to take fraud prevention seriously. For charities affected, the time to act is now to ensure they are prepared for the new legal obligations that come into force in 2025.

**For more guidance:** [click here](#) and [click here](#)



## New Scheme of Delegation: What Charities Need to Know

The Charity Commission for Northern Ireland has introduced a new Scheme of Delegation, which aims to improve the efficiency and transparency of decision-making within the organisation. This scheme will come into effect soon and is expected to impact charities as they engage with the Commission. By streamlining processes, the Commission hopes to offer quicker responses to regulatory queries, enhancing overall communication with charities.



### What is Changing?

The new Scheme of Delegation defines the roles and responsibilities of staff, clarifying which decisions can be made at different levels within the organisation. This approach will help the Commission act faster on routine matters, reducing delays caused by having to escalate decisions to higher management. By delegating certain powers, staff will be able to respond more swiftly to requests from charities and other stakeholders, ensuring a more efficient regulatory process.

### What the Scheme Means for Charities

For charities, this change will likely mean a more responsive experience when dealing with the Commission. With clearer delegation, charities can expect quicker resolutions to routine matters, which should help improve the overall regulatory environment. Charities should find it easier to navigate compliance and regulatory requirements, as the process is now designed to be faster and more streamlined.

**For more guidance:** [click here](#) and [click here](#)



## Reminder for Charities: Keep Your Register Entry Up to Date

The Charity Commission for Northern Ireland issued a reminder to charities highlighting the importance of keeping their register entry up to date. Accurate and current information ensures transparency and compliance with regulatory requirements. Charities must review and update key details such as trustee information, contact details, and financial records to avoid potential issues.

Regular updates help maintain public trust and allow the Commission to effectively oversee the sector. Charities can update their records via the online portal.

**For more guidance:** [click here](#)



## OSCR Publishes Guidance on Trustee Disqualification

The Office of the Scottish Charity Regulator (OSCR) has recently updated its guidance on the disqualification criteria for charity trustees, aiming to ensure that individuals in positions of governance are fit and proper to manage charitable organisations. This comprehensive guidance outlines the current legal framework, the specific criteria that lead to disqualification, and the responsibilities of both individuals and charities in maintaining compliance.

The OSCR's updated guidance on trustee disqualification serves as a crucial resource for both individuals and charities. By understanding and adhering to the current and forthcoming disqualification criteria, charities can ensure robust governance, maintain public trust, and effectively pursue their charitable objectives. It is imperative for all stakeholders to familiarise themselves with this guidance and implement necessary measures to ensure compliance.

### Understanding Charity Trustee Disqualification

Under the Charities and Trustee Investment (Scotland) Act 2005, certain individuals are automatically disqualified from acting as charity trustees. The OSCR's updated guidance elucidates these criteria, emphasising the importance of adherence to maintain public trust and the effective operation of charities.

### Current Disqualification Criteria

As per the existing legislation, an individual is automatically disqualified from serving as a charity trustee if they meet any of the following conditions:

- **Unspent Convictions:** An individual with an unspent conviction for an offence involving dishonesty or an offence under the 2005 Act is disqualified. It's important to note that certain convictions may become 'spent' after a specified period, after which the individual may no longer be disqualified. Individuals should seek legal advice to understand their specific circumstances.
- **Bankruptcy and Insolvency:** Those who are undischarged bankrupts (sequestration) or have granted a Protected Trust Deed are disqualified. Bankruptcy typically lasts for 12 months, and a Protected Trust Deed usually lasts for four years, but durations can vary. Once discharged, individuals may become eligible to serve as trustees again.
- **Removal by a Court:** Individuals removed by a court from being a charity trustee, under either Scottish or English law, are disqualified.
- **Company Director Disqualification:** Anyone disqualified from being a company director is also barred from acting as a charity trustee.

It's crucial for individuals to ensure they do not meet any of these disqualification criteria before assuming the role of a charity trustee. Acting as a trustee while disqualified is a criminal offence, punishable by a fine, imprisonment, or both.

### Upcoming Changes: Extension of Disqualification Criteria

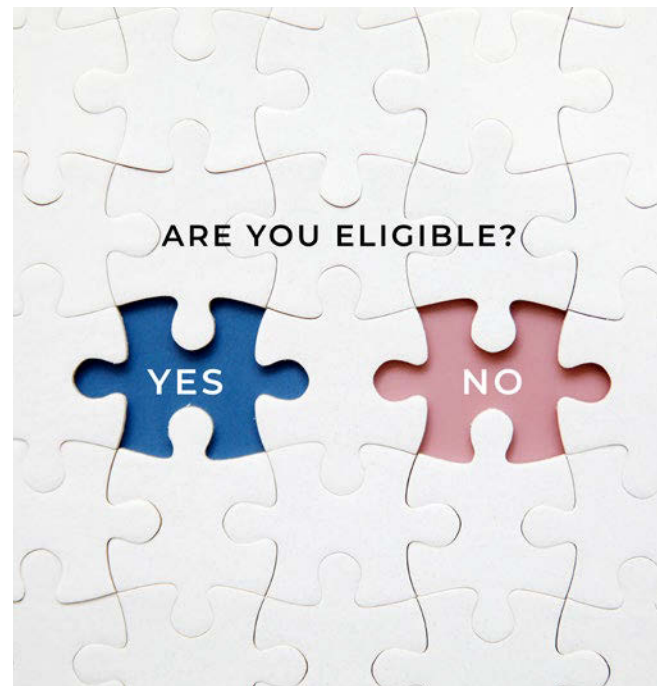
The Charities (Regulation and Administration) (Scotland) Act 2023 introduces further provisions that will extend the disqualification criteria, scheduled to come into force in summer 2025. These forthcoming changes will broaden the scope of disqualification to include individuals convicted of offences related to terrorism or money laundering, as well as those convicted of bribery or perjury. Those listed on the sex offenders register will also be barred from serving as charity trustees.

Another significant change is that the disqualification criteria will be extended beyond trustees to include individuals in senior management positions within charities. This ensures that key personnel responsible for the day-to-day management of charities are also subject to scrutiny. Charities are advised to stay informed about

these upcoming changes and prepare for their implementation to ensure continued compliance.

### Responsibilities of Charities and Trustees

Charities and individuals share the responsibility of ensuring compliance with trustee eligibility criteria. Prospective and current trustees must assess their status, seeking legal advice if uncertain, and in some cases, disqualified individuals may apply to OSCR for a waiver, though these are granted under strict conditions.



Charities should implement thorough recruitment processes, including requiring trustees to sign declarations of eligibility and conducting regular checks to maintain compliance. Clear policies and procedures on trustee eligibility help prevent non-compliance and ensure all stakeholders understand their obligations.

For more guidance: [click here](#)



### Charity Regulator Warns of Fraudulent Letters

The Charity Commission for England and Wales has issued a warning to charities about fraudulent letters being sent in its name. These letters falsely claim to be from the Commission and request sensitive financial and governance information from charities. The regulator has confirmed that it does not send unsolicited letters asking for such details and is urging charities to be extra cautious.

This scam highlights the growing risk of fraud within the sector, as cybercriminals attempt to exploit charities' trust in official communications. The Commission advises all charities to verify the authenticity of any unexpected correspondence before responding. If a charity receives a suspicious letter, it should contact the Charity Commission directly using official contact details and report any concerns to Action Fraud.

To protect against fraud, charities should implement strong internal controls, educate staff and trustees on identifying scams, and ensure all official communications are handled securely. By remaining vigilant, charities can help safeguard their funds and sensitive information from fraudulent activity.

**For more guidance:** [click here](#)



## Growing Acceptance of Cryptocurrency in Charity Fundraising

Cryptocurrency is becoming an increasingly accepted form of charitable donation, with more organisations recognising its potential to diversify income streams and attract new donors. As digital assets gain mainstream recognition, charities and fundraising platforms are exploring ways to integrate cryptocurrency into their fundraising strategies.



The adoption of cryptocurrency donations brings both opportunities and challenges. While digital assets offer a fast and transparent way to process donations, charities must also navigate issues

such as market volatility, regulatory compliance, and secure transaction processing. However, as more organisations embrace cryptocurrency, it is clear that digital assets are playing an increasingly important role in the future of fundraising. With ongoing developments in this space, the charity sector is likely to see further innovation in how donations are received and managed.

**For more guidance:** [click here](#)



## New Charity AI Task Force Aims to Strengthen Sector's Use of Artificial Intelligence

A new Charity AI Task Force has been launched to help the charity sector harness the potential of artificial intelligence (AI) while addressing the challenges it presents. The initiative, backed by leading sector organisations and funders, aims to ensure that charities can effectively use AI to enhance their operations, improve services, and better support their beneficiaries.

The task force has been set up in response to the growing role of AI in society and the need for the charity sector to engage with this rapidly developing technology. It seeks to influence AI policies and regulations, ensuring that the sector's needs and concerns are represented in wider discussions. In addition to advocacy, the task force will focus on practical support, offering guidance, resources, and case studies to help charities integrate AI ethically and effectively into their work.

One of the key organisations involved, CAST, has emphasised that AI presents both opportunities and risks for charities. While AI can improve efficiency, automate administrative tasks, and enhance data analysis, there are concerns about ethical considerations, bias in AI systems, and ensuring that charities of all sizes have equal access to its benefits. The task force will work with funders and policymakers to address these challenges and support charities in making informed decisions about AI adoption.

This initiative comes at a critical time when AI is becoming increasingly embedded in everyday life. By creating a dedicated task force, the charity sector aims to take a proactive approach, ensuring that AI is used responsibly and effectively to drive positive change. The task force will provide updates, research, and recommendations to help charities



navigate this evolving landscape, with more details expected to be shared in the coming months.

Key objectives of the Charity AI Task Force:

- Provide guidance, resources, and case studies to help charities integrate AI ethically and effectively.
- Influence AI policies and regulations to ensure the charity sector's needs are represented.
- Address ethical considerations and biases in AI systems while ensuring equitable access for charities of all sizes.

**For more guidance:** [click here](#) and [click here](#)



## Spring Statement 2025: Impacts on the charity sector

### Spring Statement 2025: What It Means for Charities

The Spring Statement 2025 has been met with disappointment from the charity sector, with many organisations voicing concerns over the lack of targeted support for charities amid ongoing financial pressures. While the Chancellor announced a range of economic measures, there were no significant provisions to ease the challenges facing the voluntary sector, leaving many worried about the future sustainability of charities.

### Key Announcements and Their Impact on Charities

Despite calls from sector leaders for urgent support, the Spring Statement did not include any direct funding or relief measures for charities. Instead, the government's focus was on broader economic growth policies, tax adjustments, and spending plans that will indirectly affect the sector. Some of the key points relevant to charities include:

- **No Additional Charity-Specific Support:** Unlike previous budgets that introduced measures such as energy relief or emergency funding for charities, this statement contained no new financial support to help charities navigate rising operational costs.
- **Tax and VAT Measures:** The government confirmed adjustments to tax thresholds and VAT rules, but there was no extension of VAT relief or targeted tax cuts that many charities had lobbied for. Without further tax incentives, charities will continue to face difficulties maximising their financial resources.

- **Public Spending Constraints:** The Chancellor reiterated the government's commitment to fiscal discipline, meaning continued pressure on public sector grants and contracts—a major source of funding for many charities. With local councils also facing budgetary constraints, there are concerns that funding cuts will further impact service delivery.
- **Cost of Living and Demand for Services:** Although the government outlined plans for economic growth and household support, these measures do not significantly alleviate the financial burdens facing low-income groups. Many charities fear that demand for their services, particularly in poverty alleviation and social care, will remain high without corresponding increases in funding.



**For more guidance:** [click here](#) and [click here](#)

## Accounting and tax update



### Minor Update to HMRC's VAT Invoice Guidance

HMRC has made a minor update to its guidance on less detailed VAT invoices, which may be particularly relevant to charities that operate retail shops. The change clarifies how businesses, including charity shops, can issue simplified invoices for lower-value transactions.

Less detailed VAT invoices, also known as simplified VAT invoices, are permitted for transactions under £250 (including VAT). These invoices require fewer details than full VAT invoices, making them more practical for high-volume, low-value sales—common in charity retail. The recent update provides further clarification on what must be included in these invoices to ensure compliance.

Charities with shops should review the updated guidance to confirm that their invoicing practices remain compliant with VAT regulations. Ensuring proper documentation helps avoid administrative issues and ensures that VAT records are correctly maintained. The Charity Tax Group has highlighted that while the update is minor, it serves as a useful reminder for charities to check their VAT processes.

For more guidance: [click here](#)



## Upcoming Changes to FRS 102 and Their Impact on Charities SORP

Significant changes to financial reporting for charities are on the horizon as the **Financial Reporting Standard (FRS) 102** undergoes revisions, directly impacting the **Charities Statement of Recommended Practice (SORP)**. These updates, set to take effect for financial periods beginning on or after **1 January 2026**, will bring key changes to how charities prepare their financial statements. With an emphasis on improving transparency, consistency, and financial clarity, charities are encouraged to begin preparing for the transition now.

### Key Changes to FRS 102 and SORP

The revised FRS 102 aligns with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs), meaning charities will need to adopt new requirements that could significantly impact financial reporting. Some of the major changes include:

- **Recognition and Measurement of Income:** Charities will need to apply a more structured approach to recognising income, particularly for donations, grants, and contracts. This may result in changes to how and when income is reported in financial statements.
- **Enhanced Disclosure Requirements:** There will be an increased emphasis on transparency, requiring charities to provide more detailed disclosures regarding their income sources, restricted funds, and the assumptions made in financial reporting.

- **Leases and Other Financial Liabilities:** Changes in lease accounting will require charities to recognise more lease agreements on the balance sheet, which could impact financial ratios and reporting obligations.

### What This Means for Charities

The Charities SORP-making body, which includes representatives from the Charity Commission for England and Wales, the Scottish Charity Regulator (OSCR), and the Charity Commission for Northern Ireland, has been working closely with the Financial Reporting Council (FRC) to ensure the updated SORP provides appropriate guidance for charities implementing these changes.



While the fundamental principles of charity financial reporting remain, charities will likely need to adjust their accounting systems, update internal policies, and train staff on the new requirements. Larger charities, in particular, may need to review their existing income recognition policies to ensure compliance with the revised framework.

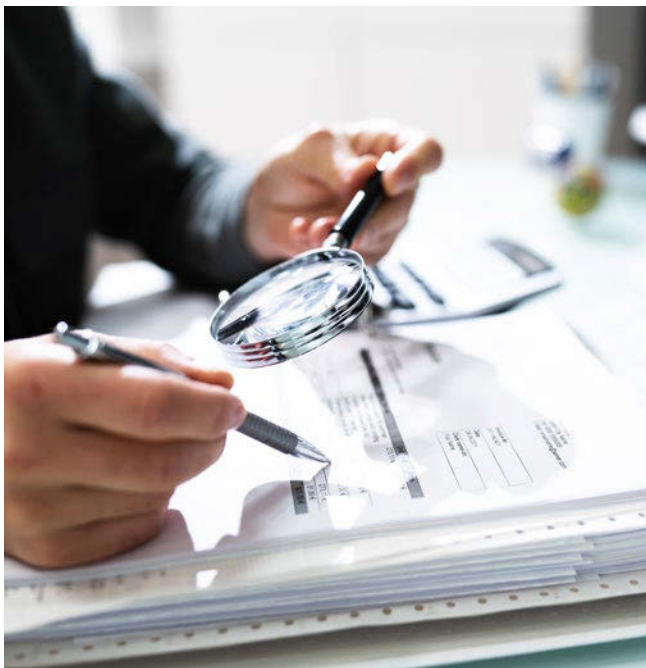
### Preparing for the Transition

To ensure a smooth transition, charities should begin reviewing the changes now and take the following steps:

- **Understand the new requirements:** Finance teams should familiarise themselves with the upcoming changes and identify areas where adjustments will be needed.
- **Engage with auditors and advisors:** Consulting with auditors and financial advisors will help

charities assess how the changes will impact their specific operations.

- **Review income recognition policies:** Charities receiving grants, donations, or funding from multiple sources should evaluate their income recognition policies to ensure alignment with the new standards.
- **Assess lease agreements and other financial commitments:** With the changes in lease accounting, charities should review their lease portfolios and consider how this will affect financial reporting.
- **Prepare for increased disclosure requirements:** Ensuring that financial statements include the necessary details will be crucial for maintaining transparency and regulatory compliance.



While the changes to FRS 102 and SORP represent an evolution in charity financial reporting rather than a complete overhaul, charities must proactively adapt to avoid last-minute compliance challenges. By planning ahead and integrating these updates into their financial reporting practices, charities can continue to provide clear, transparent, and accountable financial information to regulators, donors, and stakeholders.

As part of this process, an Exposure Draft of the new Charities SORP has been published, outlining the proposed amendments in full. The draft serves as a key reference point for charities and finance professionals, providing a detailed look at how financial reporting requirements will evolve.

#### **Open Consultation: Have Your Say**

Alongside these updates, the Charities SORP Committee has launched a consultation to gather feedback from charities, auditors, and sector experts on the proposed changes. The consultation provides an opportunity for organisations to help shape the future of charity accounting by sharing insights on how the revisions might impact them in practice.

The consultation is open until June 2025, and charities are encouraged to review the proposed amendments and submit responses. Given the scale of these changes, it is essential for organisations to engage with the consultation process to ensure that the final SORP reflects the practical realities of charity finance and governance.

**For more guidance:** [click here](#) and [click here](#) and [click here](#)