ICAEW CPD course for charity trustees – Part 2

CURRENT AND UPCOMING DEVELOPMENTS 2025-26

[RECORDED 27 NOVEMBER 2025]

PRESENTED BY SALLY KNIGHT FCA, DChA

Structure of the CPD sessions – Part 2

PART 1: Fundamentals

- What is a charity? What type of charity are you involved with?
- UK charity regulators - overview
- Being a charity trustee and the 6 main duties, with a focus on the need to:
  - Make effective decisions
  - Manage conflicts of interest / loyalty
  - Manage your charity's resources responsibly
  - Maintain accountability
  - Identify and manage risks
  - Report serious incidents

PART 2: Current and upcoming developments

- Charity regulation in England & Wales
- Charity Sector Risk Assessment
- Charity Commission updated guidance
- Scotland and Northern Ireland
- Charity Governance Code and the CIGPs
- Code of Fundraising Practice
- UK GAAP for charities and SORP 2026
- Charitable companies/directors

Charity regulation in England and Wales

Key charity legislation

- Charities Act 2011, updated by the Charities Act 2022
  - No further updates since 7 March 2024, *until*
  - Ex gratia payments on 27 November 2025
- Charities (Protection and Social Investment) Act 2016 – no changes
- The Charities CIO Regulations 2023 – no changes
- Charities (Accounts and Reports) Regulations – will be updated to underpin SORP 2026

DCMS Consultation on financial thresholds in charity law – outcome published October 2025

Intended changes to charity accounts and scrutiny requirements (E&W charities only)

Requirement	Current threshold	New threshold (see below)
Accounts must be independently examined	Gross annual income (GAI) over £25,000	GAI over £40,000
I.E must be by a professionally qualified Independent Examiner	GAI over £250,000	GAI over £500,000
Non-company charities can choose to produce R&P accounts	GAI below £250,000	GAI below £500,000
Accounts must be audited (may have req'ts lower than this)	GAI over £1m [Gross assets over £3.26m if GAI exceeds £250,000]	GAI over £1.5m [Gross assets over £5m if GAI exceeds £500,000]
Group accounts must be prepared and audited	Aggregate income of the group £1m	Aggregate income of the group £1.5m

These changes are expected to come into effect on 30 September 2026
They will apply to reporting periods of E&W charities that *end* on or after 30 September 2026
This is the intention although the regulations are still being drafted at the date of this webinar

Charity Sector Risk Assessment (Sept 2025)

Spotlight on financial resilience

‘Ensuring sustainable financial resilience will always be a core consideration for those running charities.

It is important that trustees continue to understand and comply with their duties to provide effective financial stewardship.

One of the most important things trustees can do is plan and act on any ‘early warning indicators’ to help manage finances whilst [there are] still a range of options’.

CHARITY COMMISSION FOR ENGLAND AND WALES

Actions trustees can take:

- Be alert to the challenges your charity faces
- Ensure you have a clear picture of your charity’s finances
- Ensure financial information and forecasting is regular and robust
- Explore alternative ways of working
- Refer to the CC’s updated suite of tools and guidance - complete the **Financial Health Check** to match your charity’s circumstances to the guidance it needs

ICAEW

Charity Sector Risk Assessment (Sept 2025)

Other risks and threats:

- Risks to public benefit
- Governance risks
- Safeguarding risks
- Fraud and other financial risks
- Emerging technology and cyber risks
- Social tensions
- Charities operating overseas
- Geopolitical turbulence
- Hostile foreign states

The Report signposts to relevant guidance to help trustees consider and address each threat, and includes suggested actions for trustees

Also refer to the ‘5-minute guides’ – relevant for new trustees as well as longer-standing Board colleagues

Charity Commission updated guidance

- **CC8 Internal financial controls** updated to address digital challenges, cyber crime and fraud (updated Nov 2024)
- **CC11 Trustees' expenses**, payments and related guidance (redesigned April 2025)
- **CC30 Recruiting new trustees** and related guidance (refreshed May 2025)
- **CC47 Raising a concern with the Charity Commission** (updated June 2025) – primarily aimed at the public
  - charity trustees may need to use the 'serious incident' route (no change)
  - auditors and independent examiners have a legal duty to report certain matters (of 'material significance' or 'relevant' matters) – no change

Scotland and Northern Ireland

Scotland
Key charity legislation

- Charities and Trustee Investment (Scotland) Act 2005, as amended by the Charities (Regulation and Administration) (Scotland) Act 2023
- The latest changes were effective from summer 2025, with further changes due in 2026
- 2006 Regulations and amendments

Northern Ireland
Key charity legislation

- The Charities Act (Northern Ireland) 2022 and supporting Regulations
- Charity registration threshold is being introduced – awaiting Regulations

Be alert for: Different requirements/thresholds if you are a cross-border charity – there will be further changes

ICAEW

Charity Governance Code

Updated Autumn 2025

Cod Llywodraethu i Elusennau 2025

Charity Governance Code 2025

© Copyright 2025 Good Governance Steering Group

2. Organisational purpose

3. Leadership

4. Ethics and culture

5. Decision making

6. Managing resources and risks

7. Equity, diversity and inclusion

8. Board effectiveness

1. Foundation principle

For each Principle:
What does 'good' look like?

- Behaviours
- Policy, processes and practice
- Suggested evidence and assurance

ICAEW

CIGP Charity Investment Governance Principles

Published in January 2025

- Designed to provide practical support for trustees and staff when considering investment governance and decisions about investing charity funds
- Following the CIGPs is not a legal or regulatory requirement; they build on **CC14**, which users should review first
- Select the practice relevant for your charity – 'smaller' (under £1m in investments); 'larger' (over £20m in investments); in between - choose
- The CIGPs can be also be filtered – 'Must' practice (required); 'Recommended' practice; and further opportunities to 'Consider'
- Includes a resource for 'smaller charities that mainly invest cash'

Reminder: A principal duty of trustees is to further the charity's purposes; trustees must therefore make investment decisions to further those purposes

As a minimum, trustees must:

- comply with the legal duties and requirements set out in **CC14 Investing charity money: guidance for Trustees** (updated Aug 2023)
- make decisions that are in the best interests of the charity
- keep the charity's investment approach under regular review, taking advice when needed

ICAEW

New Code of Fundraising Practice (Nov 2025)

- Trustees are ultimately responsible for ensuring that fundraising is legal, open, honest and respectful, whether or not it has been delegated to staff and/or third parties
- A **new Code of Fundraising Practice** has been in force since 1 November 2025
- The Code introduces new sections, including new responsibilities for trustees which are separate from, but overlap with, their legal duties
- **Trustees must read the new Code and guidance** – the Table of Changes may help; the new Code is also accompanied by Support Guides and Topic Guides
- Key stakeholders need to be informed about the changes
- You may need to review and update the charity's fundraising and related policies, processes, agreements, scripts and communications etc
- **Ensure that trustees' decisions are documented clearly** - make sure that the Board's record-keeping shows that you've followed the correct thought processes and meet the required standards; this is good practice and also invaluable in the event of a complaint

UK GAAP for charities and the Charities SORP

(Generally Accepted Accounting Practice)

UK-Irish GAAP applies to charities preparing **accruals** accounts i.e. accounts showing a **True & Fair view.** There are two key 'ingredients' of UK GAAP for charities:

FRS 102 (revised Sept 2024)

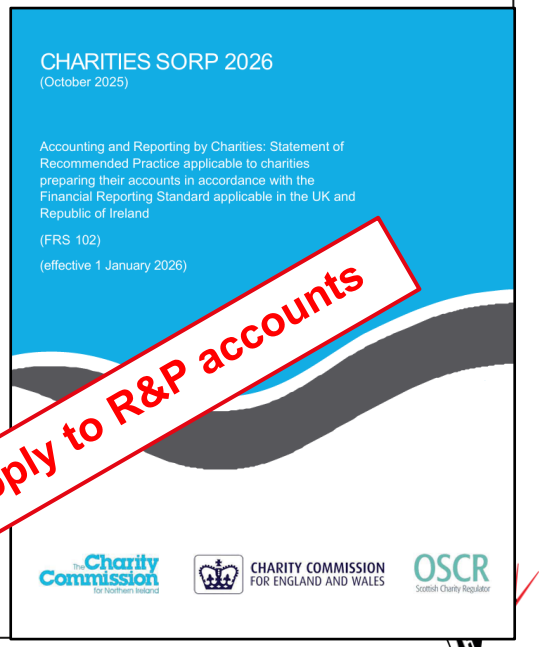
Underpins UK financial reporting for small / medium sized entities i.e. those *not* adopting IFRS, FRS 101 or FRS 105

A new Charities SORP (SORP 2026) was issued in **October 2025**

In line with the revised FRS 102, the new Charities SORP is effective for reporting periods **beginning on or after 1 January 2026**

Charities Statement of Recommended Practice

The Charities SORP interprets UK GAAP / FRS 102 as it applies to charities, and includes additional requirements



SORP does NOT apply to R&P accounts

ICAEW

SORP 2026: What hasn't changed (much)?

- The SORP is still **'modular'**; very little change to the module numbers or topics with the exception of introducing new modules 10A and 10B to cover specific balance sheet items
- Principles and requirements of **fund accounting** are unchanged – module 2
  - Trustees may find the definitions of 'reserves'; unrestricted funds; restricted funds; designated funds helpful in the **SORP's Glossary**
- Structure and key headings of the charity's **primary statements** have been retained:
  - **Statement of Financial Activities (SOFA)** – module 4. There is more emphasis on the 'natural classification' presentation option for tier 1 charities
  - **Balance Sheet** – module 10
  - **Statement of Cash Flows** – module 14. Charities in tier 1 and tier 2 may be relieved from providing one

Charities SORP 2026 introduces an income based 3-tier reporting regime

Tiers	Criteria
Tier 1	All charities applying accruals accounts and with a gross income of not more than £500,000 (€500,000 – for charities in Republic of Ireland applying this SORP)
Tier 2	All charities with a gross income falling above the tier 1 threshold and with a gross income of not more than £15 million (€15 million)
Tier 3	All charities with a gross income falling above the tier 2 threshold (£15m / €15m)

- The reporting and disclosure requirements for charities within each tier vary
- The applicability of the requirements in each of the SORP's modules to each tier is set out at the start of each module
- All other modules apply to charities in all tiers to the extent that the topic in the module is relevant to the charity
- Charities may move between tiers if their gross annual income increases/decreases; charities will need to check this ahead of each reporting period

ICAEW

SORP 2026: Key changes

1. **Trustees' Annual Report:** Enhanced and new disclosure requirements, which vary across the tiers, although the main TAR headings remain broadly the same (module 1)
2. **Income:** Charities must be able to distinguish between **income streams** that arise from 'exchange' transactions, and those that are 'non exchange'. Module 5 is now split into two sections to reflect the distinction:
   - A new '5 step model' for recognising income (set out in section 1) must be applied to income from **exchange** transactions, for example income from contracts
   - **Non-exchange** income streams, for example donations, legacies need to be accounted for in line with the principles set out in section 2
3. **Lease accounting** – charities are now required to bring all leased assets and related liabilities onto the balance sheet, subject to certain limited exemptions (new module 10B).
   - This is a complex area for charities which have leases, and likely to result in significant change for charities which are lessees
   - If you think that this will apply to your charity, refer to module 10B, Diagram 1 as a starting point

SORP 2026: Be prepared!

- Be clear on *when* SORP 2026 applies to your charity – watch short accounting periods
- If your charity is eligible to prepare R&P Accounts, should that be considered as an alternative? No SORP. Think about the impact of the change in charity financial thresholds outlined earlier
- Assuming you are preparing 'accruals' accounts and the Charities SORP therefore applies - be clear on your tier! Which requirements / changes apply to your charity?
- Know what you are likely to be dealing with especially in relation to the new requirements for exchange income (5-step model) and for leases – do you have those transactions / arrangements?
- Consider the impact on your charity's accounts in advance, and any knock-on effects, for example:
  - will your charity breach the examination or audit thresholds? Consider gross income and gross assets
  - will the presence of additional lease liabilities on the balance sheet affect any financing arrangements?
- Consider the need for additional training and support for finance staff or volunteers
- Keep up to date via the ICAEW Charity Community SORP hub

Charitable companies/directors

- **Companies Act size thresholds** increased with effect from 6 April 2025 - these are relevant for company audit and reporting exemptions
- *Charitable* companies have to comply with lower thresholds contained within the Charities Act 2011 but directors of charitable companies may find that there is an impact on their reporting requirements under the Companies Act (Directors' Report; Strategic Report; SECR reporting).
- **Economic Crime and Corporate Transparency Act (ECCTA) 2023**
  - Failure to prevent fraud offence for 'large' charitable companies with effect from 1 Sept 2025
  - Mandatory Identity Verification requirements for directors which includes trustees/directors of charitable companies. Effective since 18 November 2025 with a 12-month transition period
  - Modernisation of the company accounts framework, including mandatory digital filing – planned but not yet in force
- Don't forget trading subsidiaries and their directors

ICAEW resources for charity trustees

Charity Community

ICAEW's Charity Community brings together tools, insights and resources for charity trustees and finance professionals working with the charity sector. Join now to receive invites to free webinars, updates on charity sector developments and practical guidance for your trustee role. Membership is free and open to everyone:

icaew.com/charity

Charities SORP 2026 Resources Hub

Visit our free resources hub and learn more about changes that will come into effect under the new Charities SORP 2026.

icaew.com/charitiessorp2026

Trustee Training Modules

ICAEW's free online training provides a learning space where you can explore the knowledge and skills required to be an effective charity trustee in more depth through a range of reading materials, video recordings and reflective activities.

icaew.com/trusteetraining

icaew.com

© ICAEW 2025