EXPLANATORY MEMORANDUM TO

THE CHARITIES ACTS 1992 AND 2011 (SUBSTITUTION OF SUMS) ORDER 2026

2026 No. 427

1. Introduction

1.1 This Explanatory Memorandum has been prepared by the Department for Culture, Media and Sport and is laid before Parliament by Command of His Majesty.

1.2 This memorandum contains information for the Joint Committee on Statutory Instruments and the Secondary Legislation Scrutiny Committee.

2. Declaration

2.1 Stephanie Peacock MP, Minister for Sport, Tourism, Civil Society and Youth at the Department for Culture, Media and Sport confirms that this Explanatory Memorandum meets the required standard.

2.2 Victoria MacCallum, Director for Civil Society and Youth, at the Department for Culture, Media and Sport confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Ravi Munglani at the Department for Culture, Media and Sport can be contacted by email at the following address with any queries regarding the instrument: charitylaw@dcms.gov.uk. Alternatively, the department can be contacted by telephone: 020 8080 3054.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 The instrument increases various financial thresholds in (i) the Charities Act 1992 (the 1992 Act) in relation to fundraising, (ii) the Charities Act 2011 (the 2011 Act) in relation to charity accounting and reporting and (iii) the Charities Act 2011 (Group Accounts) Regulations 2015 (the 2015 Regulations) in relation to charity group accounts.

Where does the legislation extend to, and apply?

4.2 The extent of this instrument (that is, the jurisdictions which the instrument forms part of the law of) is England and Wales.

4.3 The territorial application of this instrument (that is, where the instrument produces a practical effect) is England and Wales.

5. Policy Context

What is being done and why?

5.1 Charity law aims to maintain public trust and confidence by regulating charities proportionately. Larger charities face stricter regulation due to handling greater sums of money. Regulation must minimise unnecessary burdens, particularly for small organisations.

5.2 The effect of inflation over time is that more charities have been captured by accounting and reporting requirements that apply over certain financial thresholds and this instrument aims to rebalance the regulatory burden. The Government has committed to reducing administrative burdens on business and charities by 25% by the end of this Parliament. The Law Commission's 2017 report 'Technical Issues in Charity Law'[1] also recommended that the government periodically review all financial thresholds in the Charities Act 2011 with a view to increasing them in line with inflation. The Government accepted this recommendation, and committed to conducting a review at least every 10 years, subject to resources.

5.3 The financial thresholds amended by this instrument mandate the type of financial accounts charities must prepare each year, the level of scrutiny to which they must submit their accounts, the information that professional fundraisers must provide when soliciting donations, the donation amount above which donors may be entitled to refunds in certain circumstances, and the charity income threshold below which the charity regulator, the Charity Commission for England and Wales (the Charity Commission) may exercise the same jurisdiction as the High Court for certain purposes. The instrument will reduce the number of charities required to prepare more detailed accruals accounts and have their annual accounts independently examined or audited. It will reduce the volume of small-scale fundraising activity that is required to meet rules that apply to professional fundraisers. It will also reduce the number of charities required to prepare group accounts, increase the minimum donation amount eligible for statutory refund and increase the number of charities where the Charity Commission can make orders with the same jurisdiction as the High Court.

5.4 The instrument is expected to save charities £47 million per year over the next decade through reduced administrative burdens. While this is a deregulatory measure, all charities are still required to prepare annual accounts and ensure they are available to the public. Through meetings with stakeholders and responses to the public consultation DCMS has understood that the charity sector is supportive of the thresholds being raised to allow charities to spend more on their charitable activities.

What was the previous policy, how is this different?

5.5 The accounting and reporting financial thresholds have not been updated since either 2012 or 2015. Fundraising financial thresholds have not been updated since 2009. As a result of inflation over the intervening period, more charities have been captured by the regulatory requirements that are triggered by these unchanged financial thresholds. This has become a burden on affected charities and taken resources away from such charities pursuing their charitable purposes. Raising the financial thresholds will mean that the number of charities to which the requirements apply is reset to the intended level, maintaining a proportionate approach to regulation.

6. Legislative and Legal Context

How has the law changed?

6.1 The 1992 Act: Currently, section 58 of the 1992 Act defines "professional fundraiser". Section 60 of the 1992 Act provides the requirements for professional fundraisers to indicate the charitable institutions benefiting from their solicitation of funds and their arrangements for remuneration. Section 60B of the 1992 Act excludes lower-paid collectors from the requirements of section 60. Section 61 of the 1992 Act provides

[1] https://cdn.websitebuilder.service.justice.gov.uk/uploads/sites/54/2025/12/Technical-Issues-in-Charity-Law-Final-report.pdf

for the circumstances in which a donor is entitled to have their donation refunded by the relevant fundraiser.

6.2 The amendments made by this instrument will raise the financial thresholds set out in these sections of the 1992 Act. In sections 58 and 60B the thresholds increase from £10 and £1,000 to £15 and £1,500. In sections 60 and 61 the thresholds increase from £100 to £150.

6.3 The 2011 Act: Currently, under section 69 of the 2011 Act, the Charity Commission has concurrent jurisdiction with the High Court for certain purposes, including establishing a scheme for the administration of a charity; appointing, discharging or removing a charity trustee or removing an officer or employee in the charity; and vesting or transferring property. Section 70 of the 2011 Act sets out the restrictions on the Charity Commission's concurrent jurisdiction under section 69.

6.4 Section 133 of the 2011 Act provides the gross income threshold below which charities may elect to prepare receipts and payments accounts instead of more detailed accruals accounts under section 132 of the 2011 Act.

6.5 Section 144 of the 2011 Act specifies the gross income and asset thresholds above which most charities must have their annual accounts audited by an appropriately qualified professional. These thresholds reflect the fact that the form of external scrutiny of charity accounts should be proportionate to the size of the charity. If a charity falls below these thresholds but above those in section 145 of the 2011 Act, it must have its accounts independently examined by a member of one of the recognised professional accountancy bodies detailed in section 145 instead.

6.6 The amendments made by this instrument will raise the financial thresholds set out in these sections of the 2011 Act. In section 70 the threshold increases from £500 to £1,000. In section 133 the threshold increases from £250,000 to £500,000. In section 144(a) the threshold increases from £1 million to £1.5 million and in section 144(b) the threshold increases from £3.26 million to £5 million. In section 145(1) the threshold increases from £25,000 to £40,000 and in section 145(2) the threshold increases from £250,000 to £500,000.

6.7 The 2015 Regulations: Currently, sections 138 and 139 of the 2011 Act provide that a parent company must prepare group accounts if the aggregate total income of the group exceeds a threshold specified in regulations made by the Secretary of State. Sections 151 and 176 of the 2011 Act require prepared group accounts to be audited if the aggregate total income of the group exceeds a threshold prescribed in regulations made by the Secretary of State. Regulations 2 and 4 of the 2015 Regulations specify the financial thresholds for the purposes of sections 139 and 151 of the 2011 Act.

6.8 The amendments made by this instrument will raise the financial thresholds set out in these regulations of the 2015 Regulations. In regulation 2 and 4 the thresholds both increase from £1 million to £1.5 million.

6.9 The transitional arrangements mean that the changes made to the 1992 Act will apply where fundraisers have collected money before 30 September 2026 and where donations have been made before 30 September 2026.

6.10 The transitional arrangements also mean that the changes made to the 2011 Act and 2015 Regulations will not apply where an application has been made to the Charity Commission to act with the same jurisdiction as the high court before 30 September 2026 and where charities' financial years end before 30 September 2026 they will refer to the previous thresholds when considering what form of accounts they must prepare and what scrutiny they must undertake on these accounts.

Why was this approach taken to change the law?

6.11 This is the only possible approach to make the necessary changes. Without increasing the financial thresholds in the legislation, rising inflation would bring more charities into complying with higher levels of regulation than the initial legislation intended, imposing a significant administrative burden.

7. Consultation

Summary of consultation outcome and methodology

7.1 In the public consultation, which ran from 3 April to 12 June 2025, DCMS sought views on all existing financial thresholds in charity law. There were up to three options examined for each financial threshold - retain at the current level; increase in line with inflation; or increase by 20%. More detail can be found in the original consultation document.[2] For some financial thresholds, the Government gave a recommended option.

7.2 DCMS received 137 responses from a range of groups, such as individuals, small and large charities, and charities' professional advisers including lawyers, audit firms and independent examiners. While responses varied from threshold to threshold, there were common themes. Respondents who supported increasing thresholds often did so to make thresholds more proportionate for the charity sector. These respondents agreed with the principle that inflationary increases would reset the thresholds to prevent more charities being caught by additional layers of regulation than was originally intended. Respondents who preferred to retain thresholds at their current level often felt doing so would ensure an appropriate level of scrutiny and oversight, by both the public and the Charity Commission; important for public trust and confidence in the sector. For the most part, where there was strong support in the consultation for thresholds to be raised in line with inflation, these thresholds have been increased by the instrument. A common theme among consultation responses was a desire for simplification of the broader regulatory landscape. DCMS therefore considered alignment and simplification of financial thresholds as an important factor when reaching a decision on each threshold, and for two financial thresholds (sections 133 and 145(3) of the 2011 Act), a decision was made to raise the thresholds above inflation, to £500,000 instead of £400,000. This aligns these financial thresholds with a new threshold in the Charities SORP 2026[3], which guides charities in preparing their accounts in line with the UK Financial Reporting Standard, published in October 2025. Full details on each financial threshold can be found in the Government response.[4]

8. Applicable Guidance

8.1 The Charity Commission provides guidance on the changing accounting and reporting requirements for charities[5], and its full guidance will be updated to reflect the new thresholds when the regulations come into force.[6]

[2] https://www.gov.uk/government/consultations/consultation-on-financial-thresholds-in-charity-law/consultation-on-financial-thresholds-in-charity-law#consultation-approach
[3] https://www.charitysorp.org/documents/d/guest/charities-sorp-2026-1
[4] https://www.gov.uk/government/consultations/consultation-on-financial-thresholds-in-charity-law/outcome/consultation-on-financial-thresholds-in-charity-law-government-response
[5] https://www.gov.uk/guidance/changes-to-charity-accounting-and-reporting
[6] https://www.gov.uk/government/collections/charity-accounts-financial-reporting-and-tax

8.2 The Fundraising Regulator will update its guidance on the fundraising threshold changes in the 1992 Act when the regulations come into force.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment is submitted with this memorandum and published alongside the Explanatory Memorandum on the legislation.gov.uk website.

Impact on businesses, charities and voluntary bodies

9.2 The impact on business, charities or voluntary bodies is estimated to be an average annual direct benefit of £47.2m (in 2025 prices) to charities over the 10-year appraisal period. This consists of one-off familiarisation costs of £5.2 million to charities and £73,000 to the Charity Commission (in 2024 prices). The total direct benefit to charities is £47.8 million (in 2024 prices) annually over the 10-year appraisal period, which has been calculated based on the number of charities who are no longer required to complete accruals accounts or have their accounts scrutinised by independent examiners or auditors multiplied by the cost of these processes. Data on charity numbers was collected from the public register of charities[7] and cost data was collected from stakeholders, including through the public consultation. The published Impact Assessment provides further detail on the impact of each threshold change.

9.3 The legislation does impact small or micro businesses.

9.4 The impact on small or micro businesses is positive as the instrument will result in reduced costs on administrative procedures.

9.5 The impact on the public sector consists of a one-off familiarisation cost of £73,000 for the Charity Commission, which includes updating guidance.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The approach to monitoring this legislation is that the thresholds will be reviewed by 2031, to assess whether the policy objectives are being met.

10.2 The instrument does not include a statutory review clause. In response to the Law Commission's 2017 report DCMS committed to reviewing the financial thresholds in charity law every 10 years, subject to resources. This interval may be shortened if circumstances change, such as if there are periods of high inflation.

[7] https://register-of-charities.charitycommission.gov.uk/en/

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 This instrument amends primary legislation i.e., the 1992 Act and the 2011 Act by substituting the sums specified in the instrument. The Secretary of State makes the instrument in exercise of the powers conferred by sections 58(10), 60B(6), 61(8) and 77(3)(b) of the 1992 Act and sections 72, 139(2), 174(1), 176(1) and 347(3)(b) of the 2011 Act.

12. European Convention on Human Rights

12.1 The Minister for Sport, Tourism, Civil Society and Youth has made the following statement regarding Human Rights:

"In my view the provisions of The Charities Acts 1992 and 2011 (Substitution of Sums) Order 2026 are compatible with the Convention rights."

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts").