CHARITY COMMISSION
FOR ENGLAND AND WALES

Charity Sector Risk Assessment 2026

Contents

Introduction

The Charity Commission's Charity Sector Risk Assessment was published for the first time last year to provide an overview of potential risks to the sector, and to support trustees and charity leaders in their decision making.

This year we have seen charities continue to make a huge impact and demonstrate considerable resilience in the face of challenging circumstances. As detailed in this report, a variety of economic and social challenges could threaten charities' ability to deliver on their purposes. Despite this, the sector as a whole continues to deliver extraordinary outcomes in service of a range of charitable causes – powered by the skill and effort of dedicated trustees, volunteers and employees.

This report utilises a range of information available to the Commission as the regulator of charities in England and Wales, which includes our:

- access to thousands of sets of accounts and annual returns from trustees
- insights from investigating hundreds of compliance concerns every year
- data from hundreds of contacts via our 'report a concern about a charity' service
- data from thousands of issues reported via our 'Report a Serious Incident (RSI)' service
- intelligence referrals from other government departments or statutory bodies.

It also draws upon horizon scanning and gathering of insights from sector bodies and others with knowledge of the sector.

Every charity is different and, as such, not all of the risks in this assessment will apply to each and every charity. But we would encourage trustees to consider the issues raised here as they review their charities' own risk registers, and to consult relevant Commission guidance as required.

1. Financial resilience

Summary

Charities across England and Wales continue to make a huge impact – achieving significant social and economic contributions at a local, national and global level. However, our analysis and insights show that charities are under considerable financial pressures. This has an ongoing impact on their ability to deliver, which is felt keenly by the communities they serve.

What our casework and analysis shows

Our analysis of charities' annual returns for financial years ending in 2024 – the latest data available – shows increased income and expenditure across the sector. Charities collectively spent £100 billion in 2024, an increase of 5.4% on 2023, and this was matched by growth in income (5.6%) which rose to £102 billion. This reverses the trend seen in 2022 and 2023 of expenditure growth outpacing income growth.

However, for a third year in a row, our analysis underlines the ongoing financial squeeze in parts of the sector. The margin between income and expenditure across the sector improved but has not yet recovered to pre-pandemic levels, with smaller charities operating on the narrowest margins.

In 2024 the overall sector-level margin was £1 billion, up from a five-year low of £700 million in 2023. While more than half of charities (57%) had more income than expenditure, around 2 in 5 charities (41%) had expenditure that exceeded income, with the remainder breaking even. One in four (25%) charities with an income of £10,000 or less reported only breaking even compared to less than 1% for each of the other income bands, pointing to the challenges faced by smaller charities.

We have observed several notable trends:

41%

of charities had expenditure that exceeded income

1. Upward trend in government contracts and grants – Over the last three years we have seen a 13% increase in the number of charities that have been awarded government contracts, which in 2024 represented a combined value of almost £10.96 billion. There has also been a small increase in those receiving government grants, with a total value of £6.75 billion. In both cases, larger charities with incomes over £500,000 are more likely to receive government contracts and grants: the Commission is aware of longstanding concerns that public bodies are less likely to award contracts to smaller organisations. The Commission also continues to hear sector concerns about the challenges of increased delivery expectations within fixed budgets and pressures which preclude full cost recovery.

2. Casework relating to financial difficulties – The Commission is seeing some indications of fragility in the sector reflected in our casework. Between October 2024 and September 2025, we saw a 27.7% rise in casework relating to insolvency and financial difficulties compared to the same period the year before, although this represents only a very small proportion of the sector (235 cases, up from 184 – in the context of over 170,000 charities on our register). Likewise, we saw a 36% increase in 'voluntary removals' of charities from our register (from 688 in 2023/24 to 938 in 2024/25), meaning that these charities have informed us that they are no longer functioning (this may be for various reasons but include issues around the charity being a going concern).

3. Changes in donor behaviour – Donor behaviours are reported to have shifted, with some data suggesting fewer people are donating larger values and that reduced disposable income is leading to one-off giving as opposed to sustained donations. Other reports indicate that smaller scale giving has held relatively steady. Grant funding from charitable trusts and foundations contributed £12.23 billion to the sector in 2024, up slightly from £11.8 billion the previous year.

There has been a

36%

increase in voluntary removals from the Charity Register

What trustees can do to mitigate this risk

Our advice remains as it was in last year's assessment report. Although the Commission cannot directly solve charities' financial problems, we encourage trustees to consult our suite of online guidance on financial issues. We will also continue to do all we can to support charitable giving from the public, given its central importance to the resilience and independence of the sector.

Having a clear picture of a charity's financial position is the first step in managing its finances well. We encourage trustees to strengthen and review their charity's financial management with our Trustee Finance Toolkit – and to consult our guidance to help protect their charity's financial health.

It is important that trustees continue to understand and comply with their duties to provide effective financial stewardship. One of the most important things they can do is plan and act on any 'early warning indicators' to help manage finances whilst they still have a range of options.

Key actions include:

- Ensure you take the time to sufficiently plan your year ahead with income forecasts aligned with operating costs
- Ensure your financial reporting is fit for purpose, regular and provides the level of detail to enable trustee decision making
- Regularly review your financial forecasting to determine any variations to cost or revenue expectations to enable early intervention where appropriate
- Consider if there are opportunities to deliver your charitable purpose more efficiently – for example, through joint ventures, collaborative bids, mergers or a combining of back-office functions with other charities.

Please use our collection of guidance on:

- Managing charity money, assets and property
- Improving your charity's finances
- How to merge charities

Sector umbrella bodies and local infrastructure Charities continue to provide advice, support and networking to help charities with various financial matters, such as fundraising strategies and options for diversification.

2. Risks to public benefit: individuals

A charity must operate for the public benefit, not for the private benefit of those associated with it.

What our casework and analysis shows

The vast majority of charities are run and supported by dedicated trustees, volunteers and donors who freely give their time and money for a cause in which they believe. The majority of charities operate without any issues arising that would give the Commission cause for concern.

However, a charity may find itself deliberately targeted by bad actors seeking private benefit – and in some cases, attempts are even made to intentionally set up a charity for this purpose. While the numbers of such cases are relatively small, the level of charitable funds at risk could be significant and the impact on public trust and confidence considerable.

The Commission has seen a sustained upward trend over recent years in the number of cases raised with us related to concerns about charitable status being abused for private benefit. In 2024-25 there was a 38% increase in such cases (from 211 cases to 291), followed by a further 29% increase in 2025-26 (374 cases).

This trend may be fuelled in part by:

1. Use of new technology – New technology, specifically the use of AI in charity registration applications, increases the risk of bad actors exploiting the system and seeking to use charities as a vehicle for private benefit. The Commission is alive to these risks and applies robust scrutiny and verification in the assessment of applications for charitable status to ensure organisations meet the legal test, with less than half (45%) of the applications received by the Commission approved.
2. Financial transaction methods – We have observed potentially organised misuse of charities, with use of less common financial transaction methods such as voucher schemes and money service businesses. Although these methods may have legitimacy in some circumstances, they also have weaknesses such as reduced transparency which can give rise to concerns about private benefit and conflicts of interest.

41%

of charities had expenditure that exceeded income

What trustees can do to mitigate this risk

The Commission aims to provide clear, relevant information and support to help build understanding of what it means to be an effective trustee. Where we uncover wrongdoing that harms an individual charity and diminishes the reputation of charity, we will be robust in using our powers to secure the right outcomes to protect beneficiaries, charitable resources, staff, and donors.

Key actions include

- Ensure financial controls are fit for purpose with no single individual able to access charity funds or assets without appropriate checks, balances and oversight
- Ensure regular reviews of financial and asset transactions including payments from charity bank accounts
- Before any payments are made to trustees, ensure they are lawful (either permitted under your governing document or with prior permission from the Commission) - and that any decision has been made following our guidance on conflicts of interest whilst ensuring that decisions are recorded with their reason, rationale, how it is in the best interests of the charity and how payment was approved
- Ensure that you are aware of the key duties and responsibilities of being a trustee and follow good practice as found in the Commission's guidance below
- Ensure that you know what your charity's purposes are and understand how each purpose is for the public benefit
- Remain vigilant to protect and safeguard your charity's assets and ensure it is not open to abuse or misuse. Identify and address effectively any conflicts of interest that affect your charity
- Trustees, employees and volunteers can report to us any concerns they have about issues arising in their charity, using our serious incident reporting and whistleblowing systems

Please use our collection of guidance on:

- Public benefit: running a charity
- Conflicts of interest
- Payments to trustees
- Trustee duties
- Meetings
- Decision making

3. Risks to public benefit: structural vulnerabilities

All registered charities are regulated by the Charity Commission to ensure trustees meet their obligations under charity law. However, many charities are also overseen by another regulator because of the nature of the services they provide. A lack of clear regulatory delineation may present risks for both those receiving services and the opportunity for abuse by those with malign intent.

What our casework and analysis shows

Given the wide-ranging nature of the activities undertaken by charities in support of their purposes, the Commission is experienced in working alongside other regulators with a focus on quality or standards and doing so in a coordinated and proportionate way. These include, for example, Ofsted (for educational charities) and the Care Quality Commission (where a charity provides regulated care). The Commission's role is to operate independently within our statutory remit but also to be alert to the powers, interests and concerns of other regulators.

However, in some instances there may not be another sector-specific regulator, or the regulator may have insufficient powers or resources. This could mean that a charity's beneficiaries are exposed to risks, and that bad actors could abuse the lack of clear delineation between regulators.

The Commission has been dealing with an increase in particularly complex casework, sometimes involving allegations of significant fraud. The Commission made almost 500 disclosures of information to external agencies, including the police, local authorities and HMRC, during 2025-26. This was an 8% rise on the previous year, demonstrating the extent of engagement with other agencies over matters which may fall within their remit. We share the concerns expressed by the National Lead Police Force for Fraud, which has highlighted that fraud and cyber crime now account for almost half of all crimes committed in the UK, and that the policing and intelligence gathering response must keep pace with this increase.

Our casework indicates particular vulnerabilities in specific areas of service provision:

- Social housing – In recent years the Commission has seen a significant increase in its compliance casework in relation to supported housing charities and at present the Commission has several open statutory inquiries regarding charities that provide this type of housing. In total, these charities manage or managed around 5,000 supported housing properties.

  In one example, the Commission has been undertaking a complex statutory inquiry into a housing charity based in Merseyside which had leaseholds for a significant number of properties throughout England, and complex links to a number of other charities and companies.

Our inquiry has been working to facilitate the surrender of over 250 properties, many of which are Houses of Multiple Occupancy, through a novel use of our existing powers. However, we have serious concerns that criminal activity may be involved in this case and we have had extensive engagement with the Serious Fraud Office and local police force.

Whilst we can tackle governance issues such as conflicts of interest and private benefit to trustees, we do not have either the expertise or statutory remit to regulate the service provision of these charities or deal with complex fraud. The Commission has raised these concerns with successive governments since 2019 and has welcomed steps taken to close the regulatory gap, particularly through the passage of the Supported Housing (Regulatory Oversight) Act 2023. However, the implementation of this legislation is severely delayed.

- Care services - Many charities provide types of care services to their beneficiaries. This can include mental health advice, pregnancy support, suicide prevention helplines, or even emergency first response care, alongside domiciliary, residential, hospice and nursing care. We regulate these charities to ensure that their trustees are meeting their legal obligations, including ensuring that the correct governance processes are followed with regard to safeguarding. However, we do not regulate the specialist medical care and advice services provided by these charities. While some such settings are subject to other regulatory regimes, not all are, and we are concerned, that in some cases, users of such services may have little opportunity for redress if the quality they receive is inadequate, or does not meet guidelines that might apply to statutory services.
- Out-of-school settings – Separately, the Commission has concerns regarding safeguarding provision within some out-of-school settings, many of which are run by charities. For example, the Commission has intelligence of independent schools run by charities which evade registration with the Department for Education (DfE) by claiming to be part-time schools.

In addition, we are aware that some non-charitable organisations can be perceived to be charities by the public, when in fact they are not. This includes concerns related to Community Interest Companies (CICs) and other non-charitable entities misrepresenting themselves or being misunderstood as charities, or charities converting to CICs to avoid our more intensive regulation.

What charities can do to mitigate this risk

Technical oversight or inspection of quality and service provision by charities is something that is beyond the direct role of the Commission, but as a matter of good governance, charities should consider best practice in their area of work. and their responsibilities specifically under charity law. While regulatory gaps are ultimately for Government and Parliament to consider and address where possible, trustees should ensure they are aware of all relevant guidance and requirements set by other regulatory bodies relevant to their work.

On complex fraud, new measures contained in the Economic Crime and Corporate Transparency Act 2023 have now come into force, introducing additional responsibilities on larger charities to address such risks.

New reimbursement schemes may help smaller charities to recover funds lost via fraud, while private prosecutions and co-ordinated action in the case of legacy fraud may provide larger charities with more efficient routes to securing resolution.

Key actions include:

- Look to best practice in service delivery in your charity’s field
- Ensure you are aware of any relevant regulations and, where applicable, the risks of operating without the support of a regulator overseeing service delivery your area of work
- Undertake due diligence before entering new service delivery agreements
- Be aware of reporting requirements and the services offered by Report Fraud

Please use our collection of guidance on:

- Risk management
- Safeguarding
- Decision making
- Protect your charity from fraud
- Internal financial controls for charities
- Charities and public service delivery

B) Other threats and risks

1. Governance risks

Governance risks can be a contributing factor to many other risks facing charities, so addressing these issues can help charities avoid wider problems.

Over 2024-25 the Commission saw a clear reduction (by 32%) of cases related to concerns about trustee decision making or breaches of the Commission's guidance – with a total of 313 cases opened, compared to 458 in the previous year.

By contrast, we saw an increase in cases involving a dispute within a charity (from 579 cases to 909, a 57% increase) – which might involve concerns about matters such as trustee elections, financial transparency or issues involving land or property. From our engagement with the sector, we understand that this increase may be partly due to difficult decisions that charities are having to take in response to financial pressures, as well as wider societal tensions (see section 3 below) resulting in challenging circumstances facing charities.

More generally, we are aware that some charities face continued challenges in recruiting sufficient numbers of trustees, and this in turn could impact trustee boards' ability to provide effective governance.

Relevant Commission guidance:

- The essential trustee
- Decision making
- Running effective meetings
- Finding trustees

2. Safeguarding risks

There is wide awareness across the sector of the importance of taking safeguarding seriously. However, the harm that can occur when things go wrong is significant.

In recent years, around one quarter of concerns raised with the Commission about charities relate to safeguarding. This includes regulatory compliance concerns which we mainly receive directly from the public, in addition to serious incident reports from charities themselves.

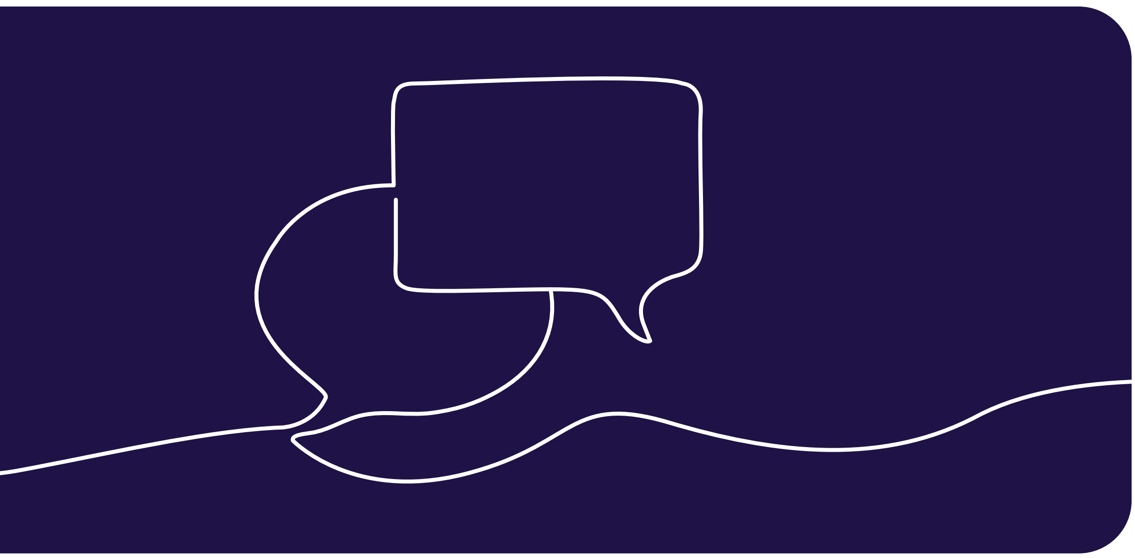
The Commission has a specific role with regard to safeguarding, which is to ensure that trustees comply with their legal duties and responsibilities so that charities are a safe and trusted environment. Safeguarding incidents must be referred to the relevant agency for investigation. However, any failure by trustees to manage safeguarding risks adequately is a serious regulatory concern to the Commission.

Safeguarding responsibilities extend beyond the charity's beneficiaries to ensuring a safe environment for charities' volunteers and staff.

Compliance casework over the last year has identified the need for particular care and attention by trustees and charity leaders in handling allegations related to individuals in positions of power or influence, including spiritual influence. Trustees should be aware of the risks of individuals abusing positions of trust they hold within a charity - as reflected in the Commission's safeguarding guidance - including by virtue of holding a religious leadership position.

Relevant Commission guidance:

- Safeguarding and protecting people for charities and trustees
- Charities and social media



3. Social tensions

Charities have always operated in contested social policy debates. Like other organisations, they should expect to be challenged and criticised when engaging in such debates. However, the Commission recognises that some charities are operating in an environment where a section of the public is actively hostile to their work and in consequence are responding in some instances to unacceptable circumstances and risks.

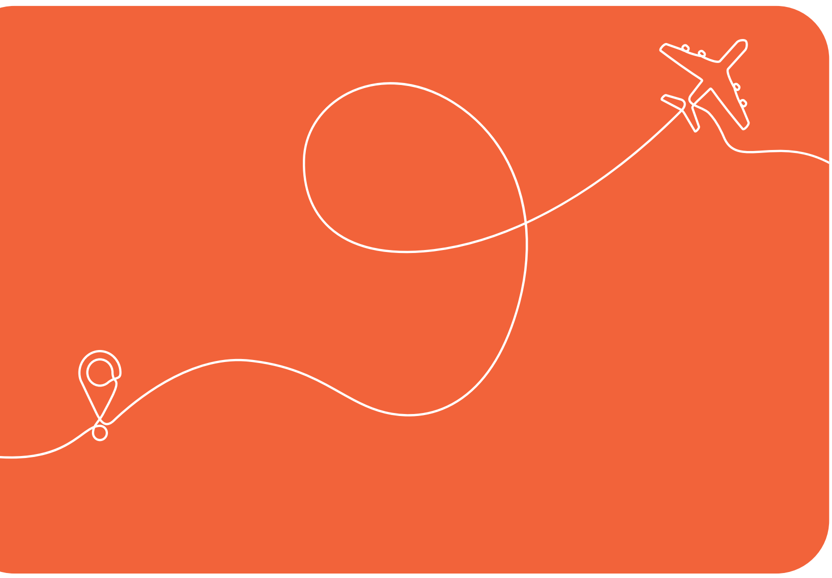
Some charities report having been diverted from delivery of their charitable objects due to the effects of security threats, religious and racial intolerance, legal uncertainty, or the impacts of online mis/disinformation.

These risks can have a significant impact on a charity's workforce and beneficiaries. Some have reported devoting substantial time and resources to crisis management, while the levels of hostility, intimidation and abuse they have faced has led some to undertake costly security measures or office relocations.

The charities targeted vary but have included those supporting refugees and asylum seekers and those working with young people or homeless people. Places of worship have also been targeted. The past year has seen distressing antisemitic attacks on Jewish charities, including the violent attack at Heaton Park Synagogue in October. The Commission is also aware of reports of unacceptable threats against mosques and other places of worship.

The Commission has also observed incidents of online disinformation targeting charities. The source and motivation behind these malign actions is often obscure, and the speed of such incidents can be challenging to manage. However, there are examples of charities demonstrating considerable agility in mobilising their own supporter bases to advocate for their organisations online when such incidents occur. Sector bodies have also developed specific advice for charities facing this issue.

The Commission stands by charities as they navigate this challenging time and will support trustees who make decisions in good faith in response to these issues, guided by their charity's best interests. This has included making clear where claims made online which are subsequently submitted to the Commission as complaints have not been substantiated.



We also understand that many charities will want to contribute to public debate on these issues, including through political activity and campaigning. The Commission will always support charities' rights to engage in political activity and campaigning, provided it supports their purpose and is in their best interests.

Relevant Commission guidance:

- How charities can respond to the current hostile environment
- Charities and social media
- Campaigning and political activity guidance for charities

4. Charities operating overseas

Charities operating overseas may face additional risks, particularly those working in challenging circumstances such as conflict zones or areas affected by natural disaster. Escalating tensions in the Middle East have posed particular challenges for charities operating there over the past year.

Some organisations have reported an escalation in violence against humanitarian workers both in the Middle East and elsewhere, with increased numbers of reported deaths – a reminder of the real risks that some charity personnel take in commitment to their cause.

Charities may face heightened safeguarding risks arising from operating in a politically unstable region, or financial risks linked to sending money overseas. These charities' finances are also likely to be sensitive to global events and will be impacted by decisions of national governments relating to overseas development budgets.

Charities operating overseas may find the briefings organised by the Commission's Charity Engagement Team of value. The list of future dates is updated regularly.

Relevant Commission guidance:

- Charities: how to manage risks when working internationally
- Charities operating in the Middle East: guidance and support for trustees

5. Geopolitical turbulence

In addition to a direct impact on the work of charities providing aid or other services in regions hit by war or political unrest (noted above), international conflicts can lead to heightened community tensions here in the UK.

Charities must never become vehicles for hate and must not allow their premises or events to become forums or safe havens for terrorism, extremism or hate speech. The Commission will always deal robustly with those who intentionally or recklessly abuse their charities, and we will not hesitate to take action within our powers where there is wrongdoing. We continue to liaise with the police and other agencies, making referrals where appropriate for the assessment of potential criminally behaviour which comes to our attention.

We are actively engaged with the Government on proposals to strengthen our powers, which were announced in the Protecting What Matters strategy. This includes plans to:

- strengthen our powers to tackle extremist abuse of charities by extending our ability to suspend trustees and shut down charities.
- introduce trustee ID verification and digitising charity accounts to improve transparency and accountability.
- implement automatic disqualification of trustees with unspent hate crime convictions or convictions for providing false or misleading information
- ensure we have discretionary powers to disqualify trustees who have been excluded from the UK, deprived of British citizenship, subject to sanctions or engaged in conduct promoting violence or hatred.

This year the Commission has continued to progress casework related to the expression of views linked to the Israel-Hamas conflict, although this has decreased compared to previous years.

Cases relate to those supporting both sides of the conflict, but most commonly relate to charities or connected individuals expressing views alleged to support Hamas, deemed to be antisemitic or otherwise constituting hate speech.

Serious concerns have also been raised with the Commission about registered charities operating in illegal Israeli settlements in Palestine, and we have recently opened a class inquiry to examine these concerns in more detail. All charities must be able to demonstrate that they have charitable purposes for the public benefit, wherever in the world they operate.

During 2025-26 the Commission's specialist team dealing with terrorism, extremism and state-threat issues made a total of 656 disclosures to police and other agencies, issued 7 disqualification Orders (suspending a further 7 trustees pending consideration of their removal of disqualification), and issued 29 Official Warnings.

Relevant Commission guidance:

- Collection: Your charity's activities
- Charities and risk management
- Statement and guidance for charities on the evolving situation in Iran

6. Hostile foreign states

Foreign states may seek to use charities to gain influence and improve their reputation in the UK, while simultaneously undermining British institutions. Any abuse of charities for these purposes would be a matter of serious regulatory concern.

The Commission is particularly aware of concerns about Iranian influence in the charity sector, heightened by recent events in Iran and the wider region. We have a number of live inquiries and regulatory compliance cases currently open in this context. We are alive to such threats and work within our powers, alongside other agencies, to protect the sector from the risks of being exploited.

Relevant Commission guidance:

- Statement and guidance for charities on the evolving situation in Iran
- Charities: due diligence, monitoring and verifying the end use of charitable funds
- Collection: Your charity's activities
- Charities and risk management

7. Emerging technology and cyber risk

Although the increased use of digital technology and AI can bring many efficiencies and improvements for charities, it is also the case that charities face escalating cyber risks.

In the past year 30% of charities reported experiencing a cyber attack, with phishing being the most common and disruptive type. There has also been a notable increase in ransomware attacks, whilst misuse of AI could contribute to increased risks to charity beneficiaries and employees.

As a technological tool AI has the potential to bring benefits, such as helping charities improve efficiency, accessibility and impact. However, trustees remain responsible for ensuring that appropriate safeguards, oversight and risk management are in place.

Relevant Commission guidance:

- Protect your charity from cyber crime
- Blog post: Charities and Artificial Intelligence