

Charity Commission for Northern Ireland
Response to the Communities Committee on
The Charities (Amendment) Bill 2026

1.0 Summary

- 1.1 The Charity Commission for Northern Ireland (the Commission) welcomes the introduction of the Charities (Amendment) Bill, which represents a significant package of reforms to Northern Ireland's charity legislation. The Bill is the culmination of a substantial body of work arising from the Independent Review of Charity Regulation (the Review), commissioned by the Minister for Communities in 2021, and reflects extensive engagement with charities, regulators, professional advisers and other stakeholders across the sector.
- 1.2 The Commission welcomes this opportunity to respond to the Committee on this legislation, which will have a fundamental impact on our work in regulating charities across Northern Ireland. As the Committee is aware, the Commission has a range of powers under the 2008 Act. These include determining whether an institution is a charity, investigating concerns about charities and taking action to protect them, monitoring the annual reports and accounts submitted by charities and providing consents and guidance which further the effective operation of charities.
- 1.3 The Review, published in January 2022, identified the need for a modern, proportionate and risk-based regulatory framework that promotes public trust and confidence whilst avoiding unnecessary burdens on charities. The Review made 93 recommendations, 18 of which will be dealt with through the Bill. The reforms are intended to address practical challenges encountered since commencement of the 2008 Act and to align Northern Ireland's regulatory framework more closely with the other UK regulators.
- 1.4 The Commission is supportive of the overall policy intent of the Bill. Particularly welcome are measures aimed at strengthening the Commission's ability to intervene proportionately where misconduct, mismanagement or risks to charitable assets arise, whilst also providing opportunities to reduce administrative and reporting burdens for smaller charities. The Commission has consistently advocated for a regulatory framework that both protects the public interest and enables charities to focus their resources on delivering public benefit.
- 1.5 At first consideration, several provisions appear particularly significant. These include the introduction of an official warning power, enhanced powers to issue directions during statutory inquiries, changes to trustee removal and disqualification provisions, and broader information-sharing powers designed to facilitate co-operation with other regulatory bodies. Together, these measures are expected to strengthen the Commission's

regulatory toolkit and improve its capacity to respond effectively and proportionately to identified risks.

- 1.6 The Commission also welcomes the proposed reforms to charity accounting, reporting and independent examination requirements. The introduction of more proportionate reporting mechanisms for smaller charities reflects a key recommendation of the Review and should help reduce compliance burdens, while maintaining appropriate levels of transparency and accountability. The proposed repeal of section 167 similarly provides clarity regarding organisations regulated elsewhere that operate for charitable purposes in Northern Ireland.
- 1.7 While the Commission will continue to consider the detailed implications of each clause as the Bill progresses through the Assembly, the current assessment is that the legislation represents a positive and balanced package of reforms with the potential to strengthen public confidence, improve regulatory effectiveness and support a more proportionate and sustainable charity regulatory framework in Northern Ireland.
- 1.8 However, the Commission notes that implementation of the Bill will have significant resource implications. In particular, the proposed changes to the annual reporting and accounting framework will require the Commission to develop a new reporting regime for smaller charities, including the design and implementation of template reporting solutions, associated changes to our digital systems and processes and extensive engagement with the sector to support transition to the revised requirements. The Commission will also be required to contribute to the development and implementation of regulations required as part of changes to the annual reporting regime.
- 1.9 In addition, a substantial programme of implementation work will be required by Commission staff to update regulatory guidance, operational manuals, policies, procedures and staff training materials. Existing case management and registration systems will require modification to accommodate new reporting obligations, official warning processes, regulatory directions and revised accounting requirements. While these changes will require careful planning and investment, they are essential to ensure the legislative reforms are introduced consistently and effectively and that charities are provided with clear guidance and support throughout the transition.
- 1.10 While the Commission welcomes the reforms contained in the Bill, successful implementation will be contingent upon the provision of adequate funding by the Department. The Commission is a very small organisation, with currently just 26 staff, responsible for the regulation of more than 7,000 charities and oversight of over 50,000 trustees. It also manages hundreds of complaints and enquiries generated by members of the public, beneficiaries and others. The cumulative impact of developing regulations, implementing a revised annual reporting framework, redesigning IT systems, updating guidance and operational manuals, and embedding new regulatory powers will create substantial additional

demands on Commission resources. Without appropriate investment, we will be unable to deliver this Bill, limiting the impact of the policy outcomes intended by the legislation. The Commission has, therefore, been seeking assurance that the necessary funding and implementation support will be made available as the Bill progresses through the Assembly. No assurance has yet been possible as the Executive budget has not been finalised. The policy ambition of this Bill needs to be matched by investment, without which the Department would be responsible for creating a regime, and establishing expectations within the sector, that it is not financially equipping the Commission to deliver.

2.0 The Bill

- 2.1 The Commission welcomes this Bill and our response is set out below, clause by clause.

3.0 Clause 1: Provides that references in the Bill to “the Charities Act” are to the 2008 Act

Commission perspective

- 3.1 The Commission has no comment on this section of the Bill.

4.0 Clause 2: Section 24 of the 2008 Act deals with the disclosure of information by and to the Commission

Commission perspective

- 4.1 The Commission welcomes the policy intention to clarify the meaning of ‘public bodies’ for the purposes of information sharing. Our preferred approach is to mirror the wording used in the England and Wales Charities Act 2011, which reflects similar drafting in s24(3) of the 2008 NI Act. Change is required because the Commission has experienced problems in sharing information with the Fundraising Regulator and with political representatives who write to us enquiring about charity cases.

- 4.2 s56 of the Charities Act 2011 provides a general disclosure power for the Charity Commission for England & Wales, enabling it to disclose to any ‘relevant public authority’ any information received by it in specified circumstances.

- 4.3 ‘relevant public authority’ is defined, for the purposes of that section as being:

“(a)any government department (including a Northern Ireland department),

(b)any local authority,

(c)any constable, and

(d)any other body or person discharging functions of a public nature (including a body or person discharging regulatory functions in relation to any description of activities)."

In respect of (d) this includes any body or person in a country or territory outside the United Kingdom.

- 4.4 The Commission considers that this approach would provide greater clarity regarding the bodies with which it may share information, promoting a consistent approach across jurisdictions.
- 4.5 The Commission notes the decision in the current draft Bill to continue referring to information sharing with 'office-holders'. This potentially includes councillors, MLAs and Ministers. This terminology has caused uncertainty as to its meaning and resulted in the Commission making an expensive reference via the Charity Tribunal to the High Court requesting a definition of the term for the purposes of section 24 of the 2008 Act.
- 4.6 The reference was heard on 22 May 2026 and judgment was reserved. At date of writing, the Commission has not received the Court's decision. The Commission will keep the Committee informed of developments that may affect its view of the proposed amendment.
- 4.7 In the absence of a court decision, the Commission reiterates its preference to use similar drafting to that of the Charities Act 2011, applicable in England and Wales. This would remove any reference to 'office-holder' and instead limit information sharing to clearly defined public bodies, including bodies or persons discharging functions of a public nature or discharging regulatory functions related to charities.

5.0 Clause 3: A new statutory tool to provide the Commission with the ability to issue an 'official warning' to a charity

Commission perspective

- 5.1 The Commission welcomes the introduction of an official warning power. This implements a key recommendation of the Review and provides an important, proportionate regulatory tool that sits between informal regulatory engagement and the commencement of a statutory inquiry.
- 5.2 The proposed power will enable the Commission to respond more effectively to instances of misconduct, mismanagement or breach of trust or duty where a statutory inquiry may not be necessary or proportionate. It therefore represents a significant enhancement to the Commission's regulatory toolkit and brings Northern Ireland's regime more closely into line with powers available to charity regulators in other UK jurisdictions.
- 5.3 The Commission considers the power may be particularly valuable in addressing lower-level or recurring compliance failures, where existing intervention options are limited. The ability to issue a formal warning may encourage earlier corrective action by charities and trustees, improve

compliance with regulatory requirements and support public confidence in charity regulation.

Resource and implementation considerations

- 5.4 Notwithstanding the benefits of the proposal, the introduction of an official warning regime will require the development of a new operational framework within the Commission. This will include the creation of policies, procedures, decision-making frameworks, governance arrangements, template documentation, publication protocols and record-keeping requirements to support the consistent and legally robust exercise of the power.
- 5.5 The statutory safeguards contained within the Bill, including requirements to provide notice, specify grounds for the warning, consider representations and make decisions regarding publication, will create additional administrative and casework demands. The Commission will also be required to develop supporting guidance for charities, trustees and staff and ensure that decision-making processes are aligned with principles of procedural fairness and public law.
- 5.6 Implementation is also likely to require amendments to existing case management systems and related digital systems to facilitate the issuing, monitoring, variation, withdrawal and publication of warnings, together with associated reporting and management information requirements. Staff training and stakeholder communications activity will also be required prior to commencement.
- 5.7 In this context, clear guidance on the circumstances in which a warning should be issued, when publication will be appropriate, and how representations will be assessed will be critical to ensuring that the power is exercised consistently, proportionately and transparently. We have liaised with our colleagues in the Charity Commission for England and Wales to learn from their implementation of a similar power.
- 6.0 **Clause 4: Provides the Commission with the power to remove a person from office or employment following an inquiry even if the person has already ceased to hold that position**
- 6.1 Clause 4 amends sections 31 and 33 of the 2008 Act in relation to the Commission's powers following a statutory inquiry. In particular, it enables the Commission to remove a person from office following an inquiry where it has already notified the individual of its intention to do so, even where that individual has since ceased to hold the relevant position. The clause also amends section 31 to ensure consistency in relation to agents of a charity.

Commission perspective

- 6.2 The Commission welcomes the proposed amendments. The provision addresses a significant gap in the current legislative framework whereby an individual who is the subject of proposed regulatory action can resign their position before the Commission completes the removal process, thereby avoiding formal removal and the consequent automatic disqualification provisions.
- 6.3 The ability to continue the removal process following resignation will strengthen the effectiveness of the Commission's existing inquiry powers and ensure that regulatory action cannot be frustrated by a person's decision to step down during proceedings. The Commission considers this to be an important safeguard for charities and the public, as it reduces the risk that individuals who have been involved in misconduct or mismanagement can simply move to another charity and assume a further position of responsibility.
- 6.4 The Commission also welcomes the retention of appropriate safeguards around the exercise of the removal power. The requirement for statutory inquiry powers to be engaged, together with the need for evidence supporting regulatory intervention, ensures that the power remains targeted at serious cases where there are concerns regarding the management of a charity or the protection of charitable assets.

Resource and implementation considerations

- 6.5 The resource implications associated with this provision are expected to be more limited than those arising from some of the other reforms within the Bill. This is because the power builds upon existing inquiry and removal processes rather than creating an entirely new regulatory regime. Nevertheless, operational procedures, guidance and internal decision-making documentation will require revision to reflect the amended legislative provisions and the circumstances in which a removal process may continue after an individual has resigned.
- 6.6 The Commission will also require updates to case management systems, operational manuals and staff guidance to ensure that cases involving resignation during an inquiry are handled consistently and that the consequential effects of removal and automatic disqualification are properly recorded and communicated. Appropriate staff training and awareness-raising within the sector will be required to support implementation.
- 6.7 Overall, the Commission considers the proposed amendment to be a positive and proportionate measure which closes an identified regulatory loophole, strengthens protections for charities and beneficiaries, and enhances public confidence in the integrity of charity regulation.

7 Clause 5: Provides the Commission with the power to direct that specified action is not taken, after instituting an inquiry

- 7.1 Clause 5 introduces a new power enabling the Commission, following the opening of a statutory inquiry, to direct that specified action is not taken where the Commission considers that the action would constitute misconduct or mismanagement in the administration of a charity. The power complements the existing power under section 36 of the 2008 Act to direct positive action to be taken for the protection of a charity and its assets.

Commission perspective

- 7.2 The Commission welcomes the introduction of this power. It addresses an important gap within the current legislative framework by enabling the Commission to prohibit potentially harmful actions from occurring, rather than relying solely on powers which require action to be taken after concerns have already materialised.
- 7.3 The proposed power will provide the Commission with greater flexibility when managing ongoing statutory inquiries. In particular, it will enable the Commission to act more proactively where there is evidence that a proposed course of action is likely to result in misconduct, mismanagement, or detriment to charitable assets or beneficiaries. The Commission considers this to be consistent with a modern, risk-based regulatory approach and supportive of early intervention where concerns arise.
- 7.4 The Commission also welcomes the inclusion of safeguards within the legislative framework, including the requirement for periodic review of orders and the availability of appeal rights. These measures help ensure the power can be exercised proportionately while maintaining appropriate protections for charities and trustees affected by regulatory intervention.

Resource and implementation considerations

- 7.5 While the power builds upon existing inquiry processes, its introduction will require the development of new operational procedures and decision-making frameworks. The Commission will need to establish clear internal guidance regarding the circumstances in which orders should be issued and will also require amendments to operational manuals, staff guidance, template notices, guidance for charities and legal documentation.
- 7.6 Overall, the Commission considers the measure to be a positive enhancement to its regulatory toolkit, enabling earlier and more effective intervention where necessary to protect charities, beneficiaries and charitable assets from potential harm.

8 Clause 6: Extends automatic disqualification from being a charity trustee or trustee of a charity to officers, agents or employees of a charity where a person is removed following an inquiry.

Commission perspective

- 8.1 Clause 6 extends the existing automatic disqualification provisions within section 86 of the 2008 Act. The amendment will ensure that automatic disqualification applies not only to individuals removed as charity trustees following a statutory inquiry, but also to officers, agents and employees who are removed in similar circumstances.
- 8.2 The Commission welcomes this amendment. The current legislative framework can result in inconsistencies whereby individuals who have been removed from positions of responsibility within a charity following findings of misconduct or mismanagement are not automatically disqualified unless they were acting in the capacity of a trustee. The proposed change addresses this anomaly and ensures the consequences of regulatory action apply more consistently across those holding positions of influence and responsibility within charities.
- 8.3 The Commission considers that the amendment strengthens the protection afforded to charities, beneficiaries and charitable assets. Individuals who have been removed following regulatory action due to misconduct or mismanagement should not be able to move readily into trustee positions within other charities simply because their previous role was not that of a trustee. The provision therefore supports public confidence in charity governance and closes a gap in the current regulatory framework.
- 8.4 The amendment also complements the changes made by Clause 4, which allow the Commission to continue removal proceedings where an individual resigns before the removal process is concluded. Taken together, these provisions strengthen the effectiveness of the Commission's inquiry powers and reduce opportunities for individuals to avoid the consequences of regulatory intervention.

Resource and implementation considerations

- 8.5 The resource implications arising from this provision are expected to be relatively modest, as the amendment extends an existing disqualification regime rather than creating a new regulatory framework. However, implementation will require updates to operational guidance, investigation procedures, internal decision-making documentation and staff training materials to reflect the extended scope of the provision.
- 8.6 The Commission will also need to review and update relevant systems and processes to ensure that disqualification decisions arising from the removal of officers, agents or employees are appropriately recorded and reflected within regulatory records. Associated guidance for charities and trustees will require amendment to explain the effect of the revised provisions and the circumstances in which disqualification may arise.
- 8.7 Overall, the Commission considers Clause 6 to be a sensible and proportionate enhancement to the existing disqualification framework. The provision strengthens safeguards for the charity sector, promotes greater accountability among those exercising influence within charities, and

contributes to the wider objective of maintaining public trust and confidence in charity regulation.

9 Clause 7: Repeals Section 64(3), which sets out the type of accounts that smaller charities may prepare, so that the Department can instead set the form and content of charity accounts through regulations, allowing different requirements to be applied to different classes of charity

Commission perspective

- 9.1 Clause 7 introduces significant reforms to the charity accounting framework and is a key enabling provision underpinning the wider reporting reforms contained within the Bill. The clause provides flexibility for accounting requirements to be prescribed through regulations, allowing different reporting requirements to be applied to different classes of charity.
- 9.2 The Commission supports the policy objective of creating a more proportionate and flexible accounting framework. The existing legislative requirements have limited flexibility to respond to the differing circumstances of charities operating across the sector. The proposed approach has the potential to support simplified reporting arrangements for smaller charities whilst maintaining appropriate standards of financial accountability and transparency.
- 9.3 The Commission welcomes the use of secondary legislation to provide flexibility within the accounting framework. This should allow future reporting requirements to be adapted more readily in response to changes within the sector and support the development of a reporting regime that is proportionate to the size and complexity of individual charities.
- 9.4 The Commission also recognises the policy intention behind the provisions relating to temporary fluctuations in charitable income. The objective of avoiding circumstances where genuine one-off income events trigger disproportionate accounting requirements is understood and supported.

Clause 7(2)(b) - Accruals dispensation and statutory decision-making timeframes to be inserted at s64(2A)(b)(ii) and (iii)

- 9.5 The Commission recognises the policy intention underpinning the proposed dispensation mechanism, namely to avoid circumstances where temporary or exceptional income fluctuations result in charities becoming subject to more onerous accounting requirements. However, the Commission has concerns regarding the proposed approach as drafted.
- 9.6 The Commission does not support reliance on a discretionary dispensation regime, as currently drafted in the Bill, as the primary mechanism for managing threshold fluctuations. While the proposal is predicated on the

assumption that such cases will arise only occasionally, the Commission's experience of implementing the accounting regime suggests that fluctuations in income are likely to occur regularly across the sector and could generate a sustained volume of applications.

- 9.7 The Commission considers that the policy objective may be more effectively achieved through a rules-based approach, such as the use of multi-year threshold assessments. Such an approach could deliver greater certainty for charities, reduce administrative burdens and avoid the need for repeated regulatory intervention in low-risk accounting matters.
- 9.8 The Commission has particular concerns regarding the proposal to impose statutory timeframes for decisions on dispensation applications. While timely decision-making is important, the imposition of fixed statutory deadlines would create a new ongoing statutory duty requiring the Commission to determine applications within prescribed periods regardless of wider regulatory priorities.
- 9.9 In practice, this could require the Commission to dedicate resources to low-risk accounting dispensations at the expense of higher-risk regulatory activity, including investigation, compliance and safeguarding work. The Commission considers that this risk is particularly acute during peak annual reporting periods, when demand for dispensation decisions is most likely to arise.
- 9.10 The introduction of a statutory requirement both to determine applications and to do so within fixed statutory timescales is unusual within charity regulation. The Commission considers that the operational and resource implications of this approach have the potential to be significant and may not be fully reflected within current assessments of implementation costs.
- 9.11 Recent discussion with the Department for Communities, which postdates the current drafting, indicates that officials are now in agreement with the Commission that statutory timescales are not necessary and that a rules-based approach which offers a 'smoothing mechanism', suggested by the Commission is the most efficient and cost-effective way forward for charities and the regulator. This was also discussed with, and supported by, the Commission's Stakeholder Forum, made up from a number of charities across the sector. We would, therefore, like to see the drafting relating to statutory timeframes removed from the Bill.

Clause 7(2)(b) - Prescription powers to be inserted at s64(2A)(b)(i)

- 9.12 The Commission supports the use of secondary legislation to provide flexibility within the accounting and reporting framework and recognises the benefits of enabling requirements to adapt over time to reflect the needs of the sector. The Commission also welcomes the opportunity to contribute its operational experience to the development and implementation of any future reporting arrangements prescribed under the legislation.

- 9.13 However, the Commission notes that the proposed power could have implications beyond the initial implementation of the reforms. Any future development, revision or maintenance of accounting and reporting frameworks may require ongoing Commission input in relation to guidance, systems, processes, stakeholder engagement and operational delivery. The extent of this involvement, and the associated resource implications, will depend on how the framework is developed and maintained in practice. There is a risk that the Commission will not be properly resourced or supported for this kind of regulation-making role.
- 9.14 The Commission therefore considers it important that the operational responsibilities arising from any future accounting or reporting framework are clearly understood as the reforms are taken forward. This will help ensure that the necessary resources are available to support implementation, future development and ongoing maintenance of the framework, while allowing the Commission to continue delivering its core regulatory functions effectively.

Resource and implementation considerations

- 9.15 Clause 7 will have significant implementation implications for the Commission. The proposed reforms will require the development of new guidance, operational processes, decision-making frameworks and stakeholder communications, together with changes to existing digital reporting and case management systems.
- 9.16 If implemented as currently drafted, the dispensation regime would create a recurring casework function requiring application handling, assessment, decision-making, governance oversight, monitoring and record keeping. Where combined with statutory decision-making timeframes, this would represent a continuing operational commitment rather than a one-off implementation cost.
- 9.17 The Commission considers that the cumulative impact of administering dispensation applications, meeting statutory deadlines, developing supporting systems and maintaining guidance could result in a material opportunity cost through the diversion of resources from the Commission's core regulatory functions.
- 9.18 The Commission supports the objective of creating a more proportionate accounting framework. However, the operational impact of the proposed dispensation arrangements should be carefully considered to ensure that the policy objective is achieved in a manner that is sustainable for both charities and the regulator.
- 9.19 As set out above, the Commission considers that there are alternative approaches which could achieve the policy objective more effectively and with less administrative burden for both charities and the regulator. In particular, a rules-based mechanism similar to that used in company law, whereby an accounting threshold must be exceeded for two consecutive financial years before a charity is required to move to a higher reporting regime, would provide greater certainty and predictability. Such an

approach would automatically accommodate temporary or exceptional fluctuations in income, remove the need for charities to seek regulatory consent and avoid the creation of a recurring dispensation function within the Commission. The Commission considers that a multi-year threshold model would deliver the intended policy outcome in a more streamlined and proportionate manner while reducing demands on both charitable resources and regulatory capacity. The Department latterly seems content to accept the Commission's proposed approach. The drafting should be changed to reflect this.

10 Clause 8: Removes the requirement for independent examination of accounts for charities with a gross annual income under £20,000.

Commission perspective

- 10.1 The Commission notes that Clause 8 is a necessary and complementary provision to the reforms proposed in Clause 7. The removal of the requirement for an independent examination for charities with a gross annual income below £20,000 is an important enabling measure which supports the wider policy objective of introducing a more proportionate reporting framework for smaller charities.
- 10.2 In particular, the amendment is required to facilitate the introduction of a registration threshold by enabling simplified or template reporting arrangements for charities which fall below that threshold but choose to remain registered. Without corresponding changes to independent examination requirements, the introduction of simplified reporting would be significantly undermined, as charities would continue to incur compliance costs and administrative burdens that are disproportionate to their size and level of financial activity.
- 10.3 The Commission welcomes the intention to adopt a more risk-based and proportionate approach to financial reporting. The proposed registration threshold reflects recommendations arising from the Independent Review of Charity Regulation and acknowledges that the regulatory burden associated with independent examination may be significant for very small charities, particularly where this diverts limited resources away from charitable purposes.
- 10.4 The Commission also notes that appropriate safeguards remain in place through annual reporting requirements and the Commission's wider regulatory powers. The proposal therefore seeks to achieve an appropriate balance between reducing unnecessary administrative burdens and maintaining accountability and transparency within the sector.

Resource and implementation considerations

- 10.5 While the policy intention is welcomed, implementation of Clause 8 will require a programme of operational and system changes by the

Commission. Existing guidance, reporting frameworks, public-facing information, operational manuals and staff procedures will require review and amendment to reflect the revised independent examination requirements and their interaction with the wider reporting reforms proposed elsewhere in the Bill. This includes consultation, review and update of the Commission's Independent examination guidance. This guidance is a legal document and includes Directions made by the Commission under powers given in section 65 (9) of the Charities Act and applies to anyone carrying out an independent examination of charity accounts in Northern Ireland.

- 10.6 The Commission will also need to undertake communications and engagement activity with charities and professional advisers to ensure a clear understanding of the new requirements and eligibility criteria. This will be particularly important during the transition period, as charities adapt to revised accounting, scrutiny and reporting arrangements.
 - 10.7 Successful implementation of Clause 8 will be closely linked to the development of the broader reporting framework enabled by Clauses 7 and 10. Consequently, the Commission considers that the full resource implications should be assessed collectively across these provisions, including the requirements for system development, guidance, stakeholder engagement, staff training and ongoing administrative support to ensure the reforms are delivered effectively and consistently.
 - 10.8 Overall, the Commission considers Clause 8 to be a proportionate reform which reduces unnecessary regulatory burden for the smallest charities while maintaining appropriate accountability and public confidence.
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- 11 **Clause 9: Inserts a new power enabling the Department to specify, through regulations, what counts (or does not count) as income for the purposes of determining "gross income"**
 - 11.1 It is proposed that the current gross income definition provided in section 180 of the 2008 Act is expanded to provide a meaningful definition of gross income for threshold purposes.
 - 11.2 The 2008 Act defines gross income as 'gross recorded income from all sources including special trusts'. This definition does not helpfully explain to charities what makes up income for threshold purposes, particularly for smaller charities preparing receipts and payments accounts where cash received may be capital in nature and not true income. In the absence of any further explanation in the legislation the Commission agreed in 2015, in consultation with DfC, to use an administrative definition for gross income for threshold purposes. The administrative definition is used in the Commission's guidance for charities for receipts and payments accounts and the Charities Statement of Recommended Practice (Charities SORP) definition for accruals accounts, "For accounts prepared on a receipts and payments basis gross income is simply the total receipts recorded in the

statement from all sources excluding the receipt of any endowment, loans and proceeds from the sale of investments or fixed assets.”

- 11.3 The definition in the 2008 Act mirrors that of the Charities Act 2011 in England and Wales, but Scotland’s definition distinguished between capital funds and income: “‘gross income’ means the total recorded income of the charity in all unrestricted and restricted funds but not including resources received as capital funds.”
 - 11.4 The Commission notes that, due to limitations in the definition of gross income in the 2008 Act, it has been necessary in practice to apply different policy definitions depending on whether a charity prepares receipts and payments accounts or accruals accounts in accordance with the Charities SORP. These distinctions reflect fundamental differences in accounting methodology rather than regulatory choice.
 - 11.5 The Commission considers that Clause 9 provides an opportunity to place such distinctions on a clearer statutory footing. To support clarity and certainty, the Commission considers it important that any definitions of gross income used across registration, accounting and reporting regimes are aligned in principle and derive from accounting basis rather than classification.
- 12 Clause 10: Introduces a power for the Department to tailor the form and content of annual reports and returns for different classes of charities, including very small charities, thereby allowing simplified or “template” reporting where appropriate**

Commission perspective

- 12.1 Clause 10 provides the legislative basis for a more flexible and proportionate annual reporting framework by enabling the Department to prescribe different annual reporting requirements for different classes of charity. This includes the potential introduction of simplified or template-based reporting arrangements for smaller charities. The Commission also understands that these changes will facilitate the introduction of a statutory framework for the format and content requirements of Receipts and Payments accounts. This will be a substantive change for charities in Northern Ireland and will require both technical and stakeholder consideration in the development of a new reporting framework. It would also enable easier comparison between accounts for members of the public.
- 12.2 The Commission supports the policy objective underpinning this provision. The current annual reporting framework applies broadly consistent reporting requirements across the charity sector regardless of the size, complexity or level of financial activity of individual charities. The Commission recognises that a more proportionate approach may help reduce administrative burdens on smaller charities while maintaining appropriate levels of transparency and accountability.

- 12.3 The Commission considers that the ability to tailor annual reporting requirements for different classes of charity has the potential to improve regulatory effectiveness by ensuring that reporting requirements are commensurate with risk. Proportionate reporting arrangements may also improve compliance rates amongst smaller charities by making reporting requirements easier to understand and complete.
- 12.4 The Commission notes that this provision is closely linked to the reforms proposed in Clauses 7 and 8. Taken together, these measures enable the development of a revised annual reporting framework, including simplified reporting arrangements for smaller charities and more targeted reporting requirements for larger and more complex organisations.
- 12.5 The Commission also recognises that annual reporting serves important regulatory and public transparency functions. Information submitted through annual returns supports the Commission's monitoring and compliance activities, informs regulatory risk assessments and contributes to maintaining public trust and confidence in the charity sector. Any revised reporting framework will therefore need to maintain an appropriate balance between reducing burden and preserving accountability.
- 12.6 The Commission notes that the detailed operation of the revised annual reporting framework will be developed through secondary legislation. The Commission welcomes the opportunity to work with the Department on the development and implementation of these arrangements and to contribute its operational experience of charity reporting, compliance and regulation.

Resource and implementation considerations

- 12.7 Clause 10 has potentially significant implementation implications for the Commission. The development and delivery of a revised annual reporting framework will require substantial changes to digital reporting systems, registration and compliance processes, guidance material and internal operational procedures. These reforms will also require update and changes to the annual return regulations, made by the Commission under section 70 of the 2008. Any changes to the regulations will require public consultation
- 12.8 The Commission will also need to support the development and implementation of secondary legislation, undertake stakeholder engagement and communications activity, update public-facing guidance and provide training for staff on the operation of the revised framework.
- 12.9 Depending on the nature of the reporting framework ultimately adopted, there may be a requirement to design, test and maintain template-based reporting solutions for certain classes of charities. This would represent a new area of operational activity and would have associated ongoing maintenance and support requirements.

- 12.10 The Commission considers that the full resource implications of Clause 10 should be assessed alongside Clauses 7 and 8, as the three provisions collectively establish the future accounting, scrutiny and annual reporting framework for charities in Northern Ireland. Successful implementation will require appropriate investment in systems, guidance, communications and staff capacity.
- 12.11 Overall, the Commission supports the policy aim of Clause 10 and considers that the provision has the potential to deliver a more proportionate and accessible annual reporting framework. However, the benefits of the reform will depend upon the detailed design of the secondary legislation, the clarity of governance arrangements and the availability of adequate Commission and Departmental resources to support implementation.

Interaction of Clauses 7, 8 and 10

- 12.12 The Commission notes that Clauses 7, 8 and 10 operate as a closely connected package of reforms which collectively establish the future accounting, scrutiny and reporting framework for charities in Northern Ireland.
- 12.13 Clause 7 provides the enabling powers to create a more flexible accounting regime and to prescribe differing accounting requirements for different classes of charity. Clause 8 complements these changes by removing the requirement for independent examination for the smallest charities. Clause 10 completes the framework by enabling different annual reporting requirements to be applied to different classes of charity, including the introduction of simplified or template-based reporting arrangements where appropriate.
- 12.14 The Commission supports the overall policy objective of creating a more proportionate framework that reduces unnecessary administrative burdens on smaller charities while maintaining appropriate levels of transparency and accountability. The effectiveness of the reforms will depend upon the extent to which the accounting, scrutiny and reporting requirements operate as a coherent and integrated framework.
- 12.15 The implementation requirements arising from these clauses are also closely interconnected. The development of secondary legislation, redesign of digital reporting systems, revision of guidance, stakeholder engagement and staff training will need to be considered collectively rather than on a clause-by-clause basis. Consequently, the Commission considers that the resource implications associated with Clauses 7, 8 and 10 should be assessed as a single programme of implementation activity.

13 Clause 11: Repeals section 167 in its entirety

Commission perspective

- 13.1 The Commission welcomes the proposal to repeal section 167 of the 2008 Act. The provision was intended to provide a framework for the regulation of organisations established outside Northern Ireland that operate for charitable purposes in or from Northern Ireland. However, the section has never been commenced and the associated regulations required to implement the regime have not been made.
- 13.2 The Commission has long identified significant practical and legal difficulties with the operation of section 167. In particular, there remains considerable uncertainty regarding the scope of key terms within the legislation, including "institution" and "operate". Legal advice obtained by the Commission has indicated that the provision could potentially capture a much wider range of organisations than originally intended, creating uncertainty for both the Commission and affected organisations.
- 13.3 The Commission considers that the original policy intention underpinning section 167 is no longer capable of being delivered in a practical or proportionate manner. Consultation undertaken by the Department identified widespread concerns regarding the proposed registration and reporting requirements and highlighted the difficulties associated with regulating organisations that are established and governed under the law of another jurisdiction. The Department subsequently concluded that the policy objective of recognition combined with light-touch regulation could not be achieved in practice.
- 13.4 The Commission agrees with this assessment. While amendment of section 167 or the introduction of additional statutory definitions could address some areas of uncertainty, such changes would not overcome the fundamental limitation that the Commission would not possess equivalent regulatory oversight of organisations established elsewhere. In particular, powers relating to trusteeship, governance and regulatory intervention would remain significantly constrained where those matters are governed by the law of another jurisdiction.
- 13.5 The Commission therefore considers repeal to be the most appropriate and proportionate solution. The proposed approach provides greater clarity for organisations operating in Northern Ireland while avoiding the creation of a regulatory regime that would be difficult to administer and challenging to enforce. Organisations established and registered elsewhere will continue to be regulated by the charity regulator in their home jurisdiction whilst remaining free to operate for charitable purposes in Northern Ireland. The Commission will still be able to refer matters of concern to other charity regulators to be dealt with appropriately.

Resource and implementation considerations

- 13.6 The repeal of section 167 is expected to remove the need for the Commission to develop and administer a separate registration and regulatory framework for institutions established outside Northern Ireland.

Had the provision been commenced, implementation would have required the development of regulations, registration processes, guidance, operational procedures and supporting systems for a potentially significant number of organisations. Given its current level of resourcing, the Commission would not have the capacity to undertake this work.

- 13.7 The Commission is aware of more than 500 organisations that may potentially fall within the scope of section 167. Repeal therefore removes the uncertainty associated with bringing these organisations into a new regulatory regime and avoids the significant resource commitment that would have been required to establish and operate such a framework.
- 13.8 Overall, the Commission considers that repeal will provide greater legal certainty, reduce regulatory complexity and allow resources to remain focused on the effective regulation of charities established under Northern Ireland law, where the Commission's statutory powers can be exercised most effectively.

14.0 Clause 12: Makes minor amendments to section 16A and to paragraph 9A of Schedule 1 to the 2008 Act.

Commission perspective

- 14.1 The Commission has no comment on this clause and does not anticipate any significant operational or resource implications arising from its implementation.

15.0 Clause 13: Provides for commencement

Commission perspective

- 15.1 The Commission notes that Clause 13 provides for the commencement of provisions. The Commission supports commencement arrangements which allow sufficient time for the development of supporting regulations, guidance, systems and operational processes required to implement the reforms effectively.

Resource and implementation considerations

- 15.2 The Commission notes that several provisions within the Bill, particularly those relating to annual reporting, accounting requirements and new regulatory powers, will require significant implementation activity. This will include the development of secondary legislation, changes to digital systems, updates to guidance and operational procedures, staff training and engagement with the charity sector.
- 15.3 Given the scale and complexity of the implementation programme, the Commission considers that a phased or staged approach to commencement is essential to ensure the reforms are introduced

effectively and that charities are provided with clear guidance and support during the transition period.

- 15.4 The Commission also considers that the timing of commencement must take account of the resources required to implement the reforms and the need to ensure that the necessary funding and support arrangements are in place to deliver the policy outcomes intended by the legislation. Provisions which require significant resourcing should not be commenced if that resourcing has not been provided to the Commission. This should be made clear to the charity sector, to manage expectations, so that the Commission is not left in the position of being expected to exercise new powers and deliver new arrangements which are not feasible on its current budget and are in addition to its current statutory duties, for which it is already under resourced.

16.0 Clause 14: Provides the short title of the Act.

Commission perspective

- 16.1 The Commission has no comment on this clause and does not anticipate any resource or operational implications arising from its implementation.

17.0 Resources

- 17.1 Resource implications have been mentioned a number of times above. This includes resources for significant IT work in respect of the submission of accounts and annual returns, redesign of and permanent changes to current online decision-making systems and changes to implement new powers, updating of external guidance and internal decision-making manuals, related staff training and preparation and dissemination of challenging communication messages to avoid confusion in the sector and ensure charity trustees are aware of their obligations under the new arrangements.
- 17.2 At present, the Commission's baseline resource budget is £1.95m and its full-time, permanent staff posts number 28 (some of these remain unfilled as we do not have sufficient resources to cover all posts in the approved structure). The Commission is already under resourced to the extent that a serious backlog of over 600 enquiries cases has built up, with only a small number of staff available to deal with them. This is a high risk which the Commission has been having to deal with for some time.
- 17.3 If the Bill goes ahead as currently drafted with decisions required by the Commission on applications for accounts dispensations with a statutory timeframe attached, we would require four additional posts covering IT, monitoring and compliance and policy/communications. The monitoring and compliance new dispensation workstream would be ongoing so these posts would be permanent. Others would be for between two and three years at a cost of £621k in total over three years. The ongoing permanent

baseline addition beyond that for the monitoring and compliance posts would be approximately £100k per annum.

- 17.4 If, as is currently under discussion with DfC, a multi-year threshold model is substituted for the dispensation decisions we would require three posts covering IT, Monitoring and Compliance and policy/communications for between two and three years at a cost of £387k in total over three years. There is no permanent ongoing new monitoring and compliance workflow under this approach so this would not be added to the baseline.
- 17.5 In addition to the staff costs we envisage £50-60k over three years for staff training and resources for charities, plus capital costs. The capital costs are very difficult to apportion to the Bill as they impact across all three of our core systems ie digital portal and online forms for registration and annual reporting, CRM (workflow management) and website (charity register) and coincide with another development – the introduction of a threshold for charity registration, which also requires fundamental changes to our systems. We secured capital last year to enable upgrade and enhancement of online forms. This was needed on the basis we could not make any changes to forms on a very old system which were needed to facilitate changes brought about by the introduction of the registration threshold and then the Bill. We would estimate the total relatable to the Bill as £270k over three years and highlight this reflects the need to update underlying software systems and then reconfigure and make enhancements. These systems are used by over 7,000 registered charities and 50,000 related trustees.

7 September 2026