

Charities SORP 2026

Effective from 1 January 2026, Early adoption is permitted. First applicable year-end is therefore likely to be 31 December 2026

Scope

Applies to charities in the UK and Republic of Ireland preparing accounts under FRS 102, who are preparing their accounts on an accruals basis, including:

- ❑ Registered charities
- ❑ Charitable incorporated organisations (CIO's)
- ❑ Charitable companies
- ❑ Charitable trusts

Charities must prepare their accounts on an accruals basis if any of the following apply*:

- ❑ the charity is registered in England and Wales or Northern Ireland and gross income exceeds £250,000 for the year
- ❑ the charity is registered in Scotland and gross income for the year is £250,000 or more
- ❑ the charity is a company registered with Companies House
- ❑ the charity's governing document requires accounts to be prepared on the accruals basis

*Consultation is ongoing regarding thresholds and is expected to conclude in September 2026.

Aim

Improvement in the quality of reporting by charities, by clarification and explanation of how to interpret accounting standards thus giving better comparability. Alignment with FRS 102 across modules. Clearer guidance on estimates, errors, and accounting principles.

Terms 'must', 'should' and 'may'

- ❑ Where the SORP states that a recommendation is one which 'must' be followed, non adherence to that recommendation is a departure from this SORP
- ❑ The term 'should' indicates good practice
- ❑ 'May' identifies that an alternative accounting treatment

Tiering structure

A new section explains the criteria for tiers and interaction with Companies Act thresholds. Note this does not align with Audit Thresholds which remain unchanged.

Tier	Criteria	Key Requirements
Tier 1	Gross income up to £500K	Simplified accounts; trustees report, no cash flow statement
Tier 2	Gross income £500,001 – £15m	Full accrual accounts; activity basis, trustees' report, no cash flow statement
Tier 3	Gross income over £15m	Full accounts; activity basis, cash flow statement mandatory, enhanced sustainability disclosures

Significant updates

- Trustees' Annual Report: Mandatory impact reporting on environmental, governance and social matters
- Lease Accounting: Operating leases now on balance sheet; flowcharts and examples included – FRS102 requirement
- Income Recognition: Clearer rules for grants: exchange vs non-exchange transactions – FRS102 requirement
- Statement of Cash Flows: Required for Tier 3 charities; others follow FRS 102 rules
- Fund Accounting: Major revisions for clarity and compliance
- Recognition of Expenses: Improved consistency and treatment of contingent assets
- Balance Sheet: Substantial changes for presentation and compliance
- Heritage Assets; Expanded guidance for valuation and disclosure
- Social Investments: New terminology; removal of "Mixed Motive" and "Programme Related Investments"

New SORP modules applicable to all tiers

- Provisions & Contingent Liabilities (10A)
- Lease Accounting (10B)

SORP modules that apply differently depending on your tier

- Module 1 – Trustee Report
- Module 4 – Statement of Financial Activity (SOFA)
- Module 8 – Allocating costs by activity in SOFA
- Module 9 – Disclosure of Trustee and Staff Remuneration
- Module 14 – Statement of Cashflows
- Module 21 – Accounting for social Investments

Limited or editorial changes

- Modules on donated goods, cost allocation, remuneration disclosures, impairment, events after reporting, grant-making, retirement benefits, and group accounts have minor updates for clarity and legal compliance.

Legal updates

- ❑ Total Return Investments: Reflects Charities Act 2022 with new disclosure requirements

Action points for charities

- ❑ Review tier classification and reporting obligations
- ❑ Prepare for impact reporting and sustainability disclosures
- ❑ Assess lease arrangements for balance sheet recognition
- ❑ Update accounting policies for income recognition and social investments
- ❑ Ensure compliance with new disclosure requirements under Charities Act 2022

Implementation timeline

- ❑ January 2026: Review tier classification
- ❑ March 2026: Prepare impact reporting framework
- ❑ June 2026: Update accounting policies and ensure compliance with Charities Act 2022
- ❑ September 2026: Lease accounting compliance check for current year and comparatives
- ❑ December 2026: Final review before year-end

For further information go to www.charitycorp.org

This document has been prepared for information purposes and does not constitute advice. All information deemed correct as at December 2025