

# Charities SORP 2026

Rossa Keown, Laura Anderson and Amie Woods  
Joint chairs of Charities SORP Committee

Stephen Maloney  
Senior Project Director, Financial Reporting Council

# Roadmap for this session

- ▶ Why did the SORP need to be changed?
- ▶ Why does it matter?
- ▶ What are the key changes?
- ▶ What does this mean for your charity?
- ▶ How to prepare – steps to take now

# The reasons for change

- ▶ The Financial Reporting Council (FRC) sets UK accounting standards and the SORP is based on those standards
- ▶ Periodically, the FRC review and update the standards
- ▶ The SORP has to be consistent with standards so when one changes, the other follows
- ▶ Effective date of new FRS 102 and the SORP is 1 January 2026 – it applies to accounting periods starting on or after that date

# The role of the FRC

## ► SORP Policy and oversight

### See also:

- [FRC SORPs webpage](#)
- [FRC Policy on Developing SORPs](#)

## FRC Purpose

- The purpose of the FRC is to serve the public interest and support UK economic growth by upholding high standards of corporate governance, corporate reporting, audit and actuarial work.
- The FRC sets accounting requirements for true and fair, accrual-based accounts in FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.
- Other authorities determine which entities must prepare such accounts.

## FRC SORP Policy

- Statements of Recommended Practice (SORPs) are sector-driven recommendations on financial reporting for specialised industries or sectors, which supplement FRS 102.
- SORPs cannot contradict FRS 102, but can:
  - Provide guidance; limit accounting policy options; override exemptions; add disclosure requirements.
- A SORP-making body must be recognised by the FRC and must follow the FRC's SORP Policy.
- The FRC is afforded observer status over the SORP-making body's activities.

# The role of the FRC

## ► SORP Policy and oversight

### See also:

- [FRC SORPs webpage](#)
- [FRC Policy on Developing SORPs](#)

## SORP development and the FRC's Statement

- During SORP development, the SORP-making body seeks effective participation of a wide range of stakeholders.
- New and updated SORPs are subject to public consultation, seeking (proactively and publicly) and considering stakeholders' views.
- A published SORP must include a Statement from the FRC confirming:
  - the SORP does not appear to
    - > contain any fundamental points of principle that are unacceptable in the context of current financial reporting practice; or
    - > conflict with an FRC standard.
  - the SORP does not appear to undermine the FRC's broader objectives (when relevant).
- The FRC will issue a Statement only if satisfied that the SORP has been developed in accordance with the SORP Policy.
- Additional guidance on the application of a SORP may be published in limited cases: requires FRC consent, but FRC does not formally review or issue a Statement.

# The role of the FRC

## ► FRS 102 Periodic Review 2024

### See also:

- [Explainer: Periodic Review considerations for charities \(Jan 2025\)](#)
- [Webinar: how charities can prepare for major amendments to FRS 102 \(Jan 2025\)](#)

## What was the periodic review?

- The FRC reviews FRS 102 approximately every five years to consider updates and improvements.
- Significant changes were proposed for consultation in Dec 2022 (FRED 82), finalised in Mar 2024.

## Why is it relevant to the SORP?

- When FRS 102 changes, a SORP may need amendment because:
  - a SORP cannot contradict FRS 102.
  - the sector may need guidance on new/amended FRS 102 requirements (which apply automatically).

## What were the main changes? (effective 1 January 2026)

- The FRC modernised accounting for revenue (from exchange transactions) and leases by applying principles of current IFRS Accounting Standards (with simplifications).
- Other incremental improvements and clarifications throughout FRS 102, to aid consistent application.

# What does this mean in practice for charities?

New accounting standards that must be complied with

The SORP had to be updated to be consistent

Consultation on new SORP March to June 2025

New SORP approved by the FRC and published 31/10/25

# Developing the Charities SORP

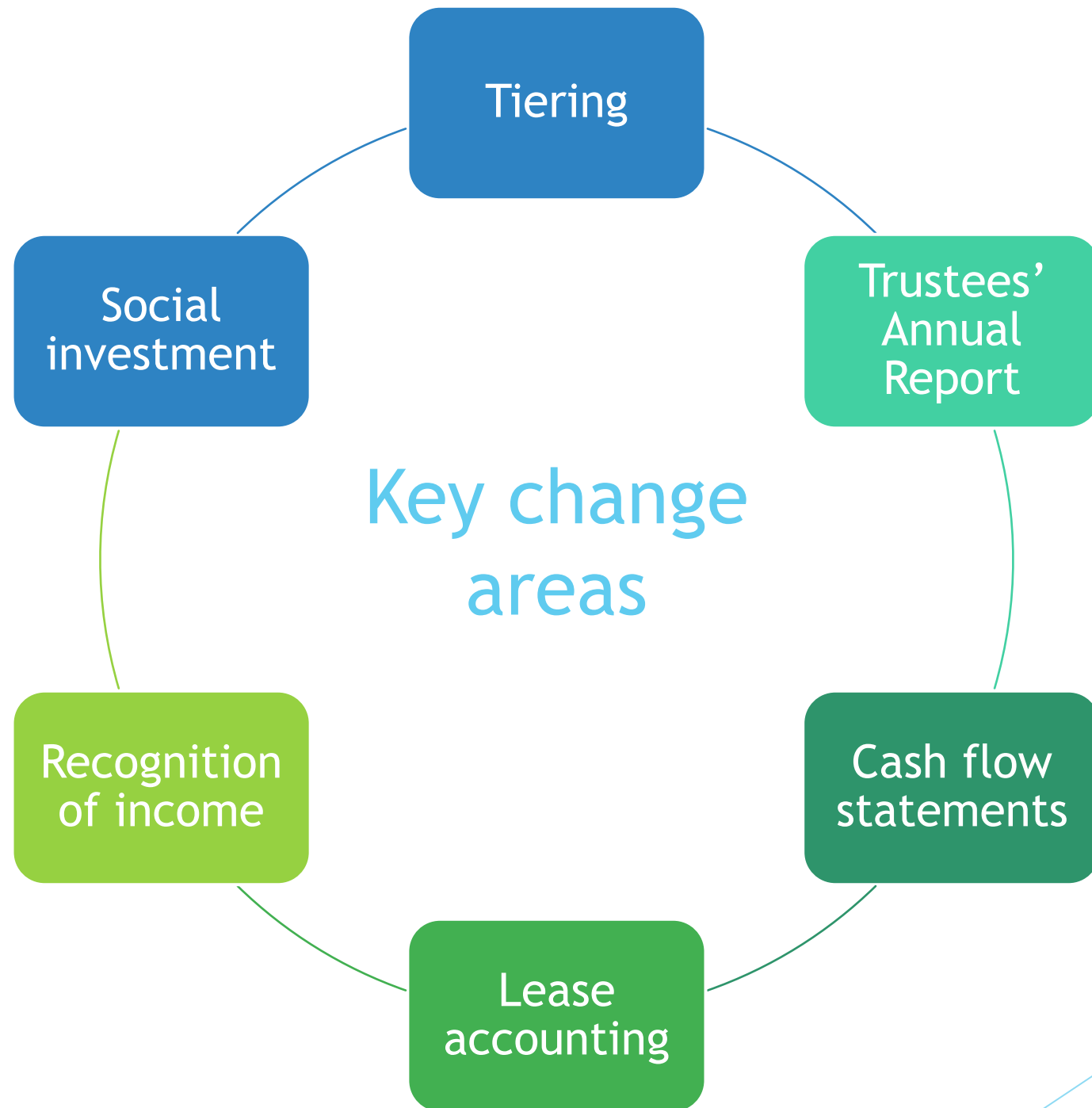
Following a governance review in 2019–20, a new process was put in place to develop the next Charities SORP

- ▶ Engagement partners identified 15 topic areas for improvement in the SORP and suggested how these might be dealt with
- ▶ The SORP—making body, advised by the SORP Committee considered how to take these forward
- New drafting aims and principles were developed
- The work involved a review of the whole SORP to make improvements to benefit users and to maintain consistency with accounting standards



# Why does it matter?

- ▶ Good financial and narrative reporting contributes to good governance; it ultimately allows the charity to support beneficiaries for as long as needed
- ▶ Public trust and confidence – transparency and accountability for the use of charity funds is key to maintaining the high levels of trust that charities enjoy
- ▶ It is a legal requirement! Regulations for UK charities mean that complying with the SORP is a legal requirement



# Tiering



- ▶ Tier 1 – for charities with income up to £500,000
- ▶ Tier 2 – for charities with income between £500,000 – £15 million
- ▶ Tier 3 – for charities with income above £15 million

Each module of the SORP starts by clearly explaining how the requirements apply to each tier

Designed to allow greater proportionality in requirements where the SORP-making body has flexibility

# Trustees' Annual Report

Refreshed Trustees  
Annual Report  
requirements

Prompt questions  
included to support  
direct involvement of  
trustees in the  
preparation

Further guidance added  
on how to report  
reserves

Areas of public and  
donor interest included -  
such as impact  
reporting,  
environmental, social  
and governance issues

Plans for the future  
extended to all charities

Legacy income - more  
explanation provided to  
help users understand  
more fully

# Statement of cash flows



The SORP-making body has made use of where there is flexibility and has increased the SORP requirement to prepare a statement of cash flows to £15 million (Tier 3) from the current threshold in the SORP of £500,000



Charities will still need to consider whether they meet the other criteria set out in FRS 102 that necessitate the preparation of a cash flow statement

# Lease accounting

- ▶ Focus on ensuring charities understand the requirements in this key change area of FRS 102 (Section 20, Leases)
- ▶ A new module has been developed – module 10B
- ▶ All leases will now be on the balance sheet unless a recognition exemption applies and is used
- ▶ Examples and flow chart in SORP to assist with application of new FRS 102 requirements

# Recognition of income

- ▶ Income module split into two sections – income from exchange transactions (contract income) and income from non-exchange transactions
- ▶ Updated to reflect the key change areas of FRS 102 (**Section 23, *Revenue from Contracts with Customers***)
- ▶ Recognition of income from contracts with customers – a new 5 step model is introduced
- ▶ Updated guidance on legacy income

# Social investment



- ▶ Changes stem from simpler terminology now used in Charity Commission for England and Wales guidance and the advantages that can be taken to make reporting more straightforward
- ▶ Requirements updated to reflect FRS 102 more closely



# Other changes to be aware of

Statement of financial activities (SoFA) - an example SoFA is provided based on natural classification (module 4)

A new module has been included dealing with 'Provisions, Contingent Liabilities and Assets' (module 10A)

Total Return requirements have been updated for Charities Act 2022 and includes new disclosure requirements (module 22)

Updated guidance on fund accounting in module 2

Language has been simplified throughout to aid with application

# Making the transition

- ▶ Scope and application module – paragraphs 22 to 25 but also specific guidance in modules where there are new or different requirements
- ▶ Understand the tier you are in and what is relevant for your charity within the modules that apply to the transactions and arrangements you have

# How to prepare

- Use available resources
  - SORP and SORP microsite
  - FRC Factsheets and Periodic Review Explainer for Charities
- Review existing agreements and arrangements – understand what you have
- Seek advice if you need it
- Consider if different records need to be kept
- Mention likely changes in the next TAR
- Look out for training sessions and webinars provided by professional and sector bodies



# Thank you

## Time for questions

Resources available:

- [www.charitiessorp.org](http://www.charitiessorp.org)
- [www.frc.org.uk](http://www.frc.org.uk)