



UHY Ross Brooke
Chartered Accountants

The Charities SORP 2026

what you need to know



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The Charities SORP 2026: what you need to know

The final version of the Charities Statement of Recommended Practice (SORP) 2026 was published on 31 October 2025, following the update to FRS 102 in March 2024. This long-awaited revision brings UK and Republic of Ireland charity reporting in line with updated accounting standards and introduces several important changes that will affect how charities prepare their financial statements.

Does this affect me?

Yes, if your charity prepares accounts on an accruals basis, you must comply with the new SORP for accounting periods beginning on or after 1 January 2026. Early adoption is only permitted for charitable companies, and only if the revised FRS 102 is adopted at the same time. Unincorporated charities, CIOs and cross-border charities are not permitted to early adopt.

Charities must prepare accruals accounts if:

- Income exceeds £250,000
- The charity is a registered company
- The governing document requires accruals-based accounts

Top 10 changes in the Charities SORP

1. Three-tier reporting regime

The new SORP introduces a three-tier structure to reflect the diversity of the sector:

- Tier 1: Gross income ≤ £500,000
- Tier 2: Gross income > £500,000 and ≤ £15 million
- Tier 3: Gross income > £15 million

Charities must comply with the requirements of their own tier and all tiers below. Each SORP module clearly states which tiers it applies to. This change is particularly significant given that over 90% of charities fall within Tier 1.

2. Statement of cash flows

Under the current SORP, charities with income over £500,000 must prepare a Statement of Cash Flows. Under the new SORP, this is only mandatory for Tier 3 charities, provided they do not qualify as small entities under FRS 102. This change will reduce the reporting burden for many charities, though the statement remains a useful tool for explaining how funds are generated and used.

3. Related party transactions

The new SORP removes the exemption for intra-group related party disclosures. From 1 January 2026, all related party transactions must be disclosed, including those between group entities. These transactions are always considered material, unless they fall under a limited list of exemptions. Comparative figures must also be disclosed, so charities should begin tracking these now.

4. Lease accounting

A new module (10B) introduces right-of-use asset accounting for operating leases, in line with FRS 102. This means most leases will now appear on the balance sheet, increasing both assets and liabilities. Exemptions apply for low-value or short-term leases. The SORP also provides guidance on peppercorn rents, which are generally excluded from lease accounting as they do not meet the definition of a lease under FRS 102.

5. Provisions

Module 10A introduces new guidance on provisions, contingent liabilities and funding commitments. This is particularly relevant for:

- Charities with leasehold properties (e.g. dilapidations)
- Grant-making charities with multi-year commitments

The module provides clarity on when to recognise provisions versus when to disclose contingent liabilities, helping charities navigate complex funding arrangements.

6. Revenue recognition

Module 5 introduces a five-step model for recognising income, aligning with international standards. While most income streams will remain unaffected, areas such as life memberships, Gift Aid, and contract income may require revised accounting policies. The module also clarifies treatment for subscriptions, dividends, and legacy income, and is ten pages longer than the previous version.

7. Trustees' annual report

The trustees' annual report has been refreshed to place greater emphasis on:

- Impact reporting (within the 'Achievements and Performance' section)
- Sustainability (a new section required for Tier 3 charities; encouraged for others)
- Future plans, now required for all tiers

The SORP encourages charities to explain the long-term effect of their work on beneficiaries and society. Testimonials and case studies are increasingly valuable in demonstrating impact.

8. Designated funds

Previously, designated funds could only be created if trustees had formally minuted their intention before the year-end. The new SORP removes this restriction, allowing designation after the year-end, which is particularly helpful when large legacies are received post year-end but recognised in the current period.

9. Social investments

The updated module provides clearer definitions and replaces the term 'programme-related investments' with 'concessionary loans'. This change reflects the growing importance of social investment in the sector and aims to improve consistency in reporting.

10. Heritage assets

In line with FRS 102 Section 34, heritage assets must now be depreciated, unless they have an indefinite useful life. Trustees must consider impairment and document their rationale. This is a significant shift from the previous SORP, which did not require depreciation of heritage assets.

The Charities SORP 2026 is now final and effective for periods beginning on or after 1 January 2026. Early adoption is only available to charitable companies, and only if they also adopt the revised FRS 102.

Our UHY charity team will be in touch with clients ahead of implementation. We are also developing a range of other resources to help you prepare for the changes, which we will share over the coming weeks. If you have any questions in the meantime, please don't hesitate to get in touch with your usual UHY contact.

The full Charity SORP 2026 is available at charitySORP.org.



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