

New UK Charities Statement of Recommended Practice (SORP 2026)

1. Purpose of the New SORP

The Charities SORP provides guidance on how charities should prepare *true and fair* financial statements and Trustees' Annual Reports in accordance with UK accounting standards (FRS 102). The 2026 update makes reporting more proportionate, clearer, and tailored to the size and complexity of charities, while improving transparency for stakeholders such as donors, regulators and the public.

2. Effective Date

SORP 2026 applies to accounting periods beginning on or after 1 January 2026.

3. Three-Tier Reporting Framework

A central change is introducing a three-tier system based on annual income, with different disclosure and presentation expectations for each group:

Tier	Income Level	Key Impact
Tier 1	Up to £500,000	Simplified requirements for smaller charities.
Tier 2	£500,000–£15 million	Intermediate disclosures; more financial and narrative detail.
Tier 3	Above £15 million	Most extensive reporting and transparency.

Examples of tier impacts:

- *Only Tier 3 charities (and those that don't qualify as "small entities" under FRS 102) are normally required to prepare a **statement of cash flows**.*
- *All tiers must prepare linked financial statements and narrative reports, but disclosures rise with tier level.*

4. Updated Accounting Requirements

SORP 2026 incorporates key FRS 102 accounting changes and provides charity-specific guidance on:

Revenue Recognition

- New guidance aligned to FRS 102's updated revenue recognition model (similar to IFRS 15), requiring a five-step approach for some exchange transactions.

Lease Accounting

- *Most operating leases will now be recognised on the **balance sheet** as right-of-use assets with corresponding liabilities, reflecting FRS 102 changes.*
- *The SORP adds sector-specific examples (e.g., for low-value or peppercorn leases) to help charities apply these rules.*

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Social Investments

- *Reporting on social investments has been simplified and aligned with the Charities Act 2011 definition, making it easier for charities to account for such holdings.*

Provisions & Contingencies

- *Easier to understand requirements for reporting provisions and contingent liabilities.*

5. Trustees' Annual Report Refresh

The SORP places stronger emphasis on narrative reporting and transparency by requiring charities to:

- *Link the financial statements clearly with the narrative report.*
- *Reconcile reserves figures in the report with those in the accounts.*
- *Explain future plans and going-concern assumptions.*

Report on impact, and provide dedicated sections (or enhanced disclosures) around environmental, social and governance (ESG) matters — especially for larger charities.

6. Proportionality & Transparency

- *The tiered approach is intended to reduce administrative burden on smaller charities while ensuring larger organisations provide sufficient information for users of their accounts.*

- *Overall, the framework reflects greater transparency and consistency in reporting across the sector.*

7. Thresholds & Related Regulatory Changes

- *The SORP itself doesn't change statutory audit/examination thresholds, but related changes in charity accounting and reporting thresholds are being introduced (e.g., higher income thresholds for independent examination and accruals accounting), with some coming into effect later in 2026.*

In summary

The new UK Charities SORP 2026:

- *Applies from 1 Jan 2026.*
- *Introduces a tiered reporting framework based on income.*
- *Incorporates updated accounting rules for income and leases from FRS 102.*
- *Enhances Trustees' Annual Report requirements including impact and future plans.*
- *Aims to balance proportionate reporting and transparency for users of charity financial reports.*

**Should you have any queries,
please do not hesitate to contact us**

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