Changes in Charity SORP 2026

A summary of the key changes from the 2019 SORP for England and Wales

1. Introduction

Charities play a crucial role in the social economy across the UK. Transparent and meaningful reporting is essential to demonstrate accountability, secure funding, articulate impact and maintain public trust.

Charity reporting is governed by the Charities Statement of Recommended Practice (SORP)[1]. This is underpinned by the Financial Reporting Standard in the UK and Republic of Ireland (FRS 102)[2]. In October 2025, the new Charities SORP 2026 was issued. It is effective for accounting periods beginning on or after 1 January 2026.

The 2026 SORP is one of the most significant changes to charity reporting since the introduction of FRS 102. The update reflects changes in:

- stakeholder expectations
- developments in underlying accounting standards
- increasing demand for enhanced governance, sustainability, and impact

Many core accounting principles remain familiar. However, the revised framework introduces a more scalable reporting structure. It has enhanced governance expectations, revised income recognition rules, and entirely new lease accounting requirements.

This overview notes the key differences between the 2019 Charity SORP and the new 2026 Charity SORP and aims to help preparers understand the implications for their organisations.

This overview should not be treated as financial, accountancy, legal or tax advice. Charities should consult with their relevant accounting and legal advisors on the application of the FRS 102 The Financial Reporting Standard.

1 **Download a full SORP - SORP**
2 **FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland**

2. What Changed?

The changes introduced by SORP 2026 broadly fall into **five key areas:**

- Making the SORP more proportionate to the size of a charity
- Changes to governance and impact reporting
- Alignment with updated FRS 102 requirements
- Charity-specific clarifications and disclosures
- Other technical and presentation updates

2.1. Making SORP proportionate to the size of the charity

SORP 2026 introduces a new three-tier reporting structure. It replaces the 'smaller' and 'larger' charity distinction used under the 2019 SORP.

The tiers are now:

Tier 1: Charities with income not more than £500,000

Tier 2: Charities with income above £500,000 and not more than £15 million

Tier 3: Charities with income above £15 million

The aim is to make reporting requirements more proportionate to the size and complexity of the charity. Smaller charities benefit from simplified disclosures. Larger charities are expected to provide more detailed information. This reflects increased stakeholder expectations and public accountability.

Importantly, the tiering framework only affects selected SORP modules, particularly:

- Trustees' Annual Report
- Statement of Financial Activities
- Disclosure requirements
- Governance reporting
- Statement of Cash Flows

This creates a more flexible reporting structure without changing all accounting requirements for smaller charities.

2.2. Governance and Impact Reporting

The Trustees' Annual Report section has been rewritten in the 2026 SORP. The updated framework places greater emphasis on narrative reporting. This covers governance, accountability and impact. It also covers strategic decision-making and some forward-looking strategy.

The Annual Report module within SORP[3] highlights areas to be covered. This list includes (but is not limited to):

- purpose
- significant activities
- volunteer engagement
- short and long term objectives
- grant and social investment usage

The revised guidance encourages charities to clearly connect organisational strategy and operational delivery. It looks at resources used, financial performance, risks faced, and outcomes achieved.

Impact Reporting

Under the 2019 SORP, charities were encouraged to discuss outputs, outcomes, and impacts where practical. However, the 2026 SORP significantly strengthens these expectations. It embeds impact reporting more firmly into annual reporting requirements.

There is now greater emphasis on explaining what difference activities made and how beneficiaries were affected. It also looks at how the charity delivered public benefit aligned to its mission. The focus has shifted away from simply explaining 'what was done' towards demonstrating 'what was achieved'. This can be demonstrated through key impact management tools such as:

- key performance indicators
- outcomes
- setting a clear theory of change
- an evidence framework

The revised SORP includes prompt questions and practical guidance. This helps trustees produce more meaningful impact reporting.

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Sustainability Reporting

One of the most significant new developments within SORP 2026 is the introduction of sustainability and ESG-related reporting expectations. For Tier 1 and Tier 2 charities, sustainability reporting is encouraged where relevant to stakeholders. Tier 3 charities, sustainability reporting is mandatory.

Large charities are expected to explain environmental and social considerations, governance arrangements and sustainability-related risks. They also need to show how ESG issues affect decision-making and future planning.

The inclusion of sustainability reporting reflects the growing expectation that charities explain more than just their financial performance. They need to talk about how they respond to wider societal and environmental challenges.

2.3. Governance and Risk Reporting Enhancements

The 2026 SORP strengthens governance and risk disclosures considerably. While risk reporting existed previously, the revised guidance expands expectations regarding:

- principal risks
- operational resilience
- internal controls
- governance oversight
- organisational decision-making

Cyber-security is identified for the first time as an important governance consideration. This reflects the increasing reliance charities place on digital systems, online fundraising, and data management.

All charities are now expected to report on principal risks. However, the required level of detail depends on size and complexity.

2.4. Catching Up with FRS 102

2.4.1. Income Recognition

One of the most technically significant updates relates to income recognition.

The 2026 SORP introduces a much clearer distinction between exchange transactions, and non-exchange transactions.

Exchange transactions involve arrangements where the charity provides goods or services directly in return for payment or consideration.

The updated framework aligns with the revised FRS 102 five-step revenue recognition model. This means the timing of income recognition is now much more closely linked to when services are actually delivered.

This may affect:

- service contracts
- grant agreements
- commissioned services
- membership arrangements
- long-term projects

Donations, grants, and legacies continue to follow non-exchange transaction principles. The existing entitlement, probability, and measurement rules broadly remain. However, terminology and guidance have been modernised and clarified.

Additional clarification has also been introduced around performance-related conditions, deferred income, capital grants, and legacy recognition.

2.4.2. Lease Accounting

SORP 2026 introduces an entirely new Lease Accounting module (Module 10B).

Under the previous SORP, charities generally distinguished between finance leases and operating leases. The revised framework now aligns with the updated FRS 102 lease accounting requirements. It also introduces balance sheet recognition for many lease arrangements.

Charities may now need to recognise a right-of-use asset, and a corresponding lease liability for arrangements previously treated as simple operating costs.

The new module provides:

- detailed implementation guidance
- practical examples
- recognition exemptions for low-value or short-term leases
- decision flowcharts

Additional charity-specific guidance is included for peppercorn leases, social donation leases, and below-market lease arrangements.

This is likely to be one of the largest implementation challenges for many charities.

2.5. Charity-Specific Clarifications

The principles of fund accounting remain central to charity reporting. The 2026 SORP expands and clarifies a number of disclosure requirements.

2.5.1. Fund Accounting

Additional clarification confirms that trustees may remove designations from designated funds because those funds remain unrestricted in nature. Enhanced disclosures are now expected, explaining why restricted or endowment funds exist. It also asks how those funds will be used and any restrictions affecting access to or deployment of those funds.

The updated SORP also strengthens requirements surrounding transfers between funds, amendments to restricted purposes, and endowment restrictions.

2.5.2. Reserves Reporting

The updated SORP introduces clearer requirements around reserves disclosures. It links reserves policies more closely with future plans, financial resilience, and going concern assessments.

Trustees are expected to explain why reserves are held, the level considered appropriate, and how reserves support longer-term sustainability.

2.5.3. Legacy Disclosures

The 2026 SORP introduces additional legacy-related disclosures for Tier 2 and Tier 3 charities.

These disclosures should help users understand how legacy income is recognised, the timing uncertainties involved, and why legacy values may fluctuate significantly between reporting periods.

2.5.4. Social and Impact Investing guidance

Recognising the growth of impact investing by charities, a clearer category of ‘social investments’ sets requirements for reporting on:

- social investment policies
- guidance on reporting by asset type
- link to mission and purpose
- reporting of impairment treatments

2.5.5. Other Changes

SORP 2026 also introduces various other technical updates, including:

- enhanced supplier finance disclosures
- revised terminology throughout the SORP
- expanded consolidation guidance
- clarified related party disclosures
- updated glossary definitions

The revised SORP also consolidates changes introduced through the 2016 and 2018 Update Bulletins into a single modernised reporting framework.

3. How Unity Can Help

3.1. Dedicated Charities Team

Unity has a dedicated Charities Team with sector expertise ready to support organisations as they prepare for the implementation of Charity SORP 2026.

Our specialists can help charities understand:

- the practical implications of enhanced governance reporting and sustainability disclosures
- the revised income recognition rules
- lease accounting
- reserves reporting
- impact reporting expectations

To discuss your organisation's requirements, please contact **us@unity.co.uk** with the subject line '**Charity SORP**' to connect with our specialist Relationship Managers.

3.2. Governance 360 Pilot Programme

Unity has launched a subsidised pilot programme with Governance 360. This is to support charities in strengthening governance processes and oversight arrangements ahead of the new SORP requirements.

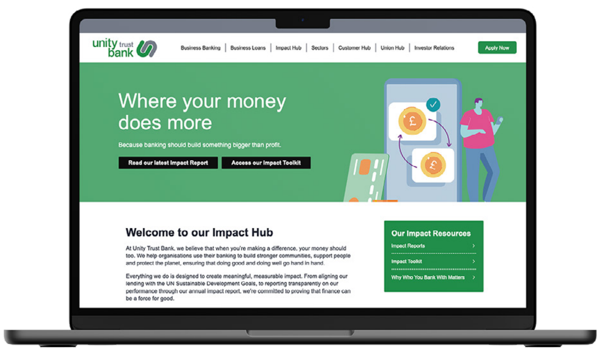
To express interest, contact **us@unity.co.uk** with the subject line '**Governance360 pilot**'.

3.3. Impact Toolkit

Unity has also established an online Impact Toolkit. This can support charities in developing and improving their impact measurement and reporting approaches.

The toolkit provides practical resources to help organisations begin or strengthen their impact reporting journey. It will help prepare for the enhanced reporting expectations of SORP 2026.

www.unity.co.uk/impact/toolkit



3.4. Educational Support

Unity will be hosting an online webinar in 2026 to help charity customers understand and prepare for the key impacts of Charity SORP 2026. It will include accounting, governance, and operational considerations.

Further announcements and updates will be shared through Unity's LinkedIn platform. **www.linkedin.com/company/unity-trust-bank**

3.5. Finance System Integration

Unity continues to support reporting efficiency through integration capabilities with systems such as:

- Xero and QuickBooks
- helping charities streamline data collection
- financial management
- reporting processes

To find out more about how SORP 2026 may affect your charity, head to **www.charitysorp.org/download-a-full-sorp**

We encourage all customers to engage their accountants regarding any changes.

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*Our call centre opening hours are 9:00am to 5:00pm, Monday to Friday, excluding bank and public holidays in England and Wales. Calls are charged at local rate.