



# ***SORP 2026 – Hot topics from the Consultation***



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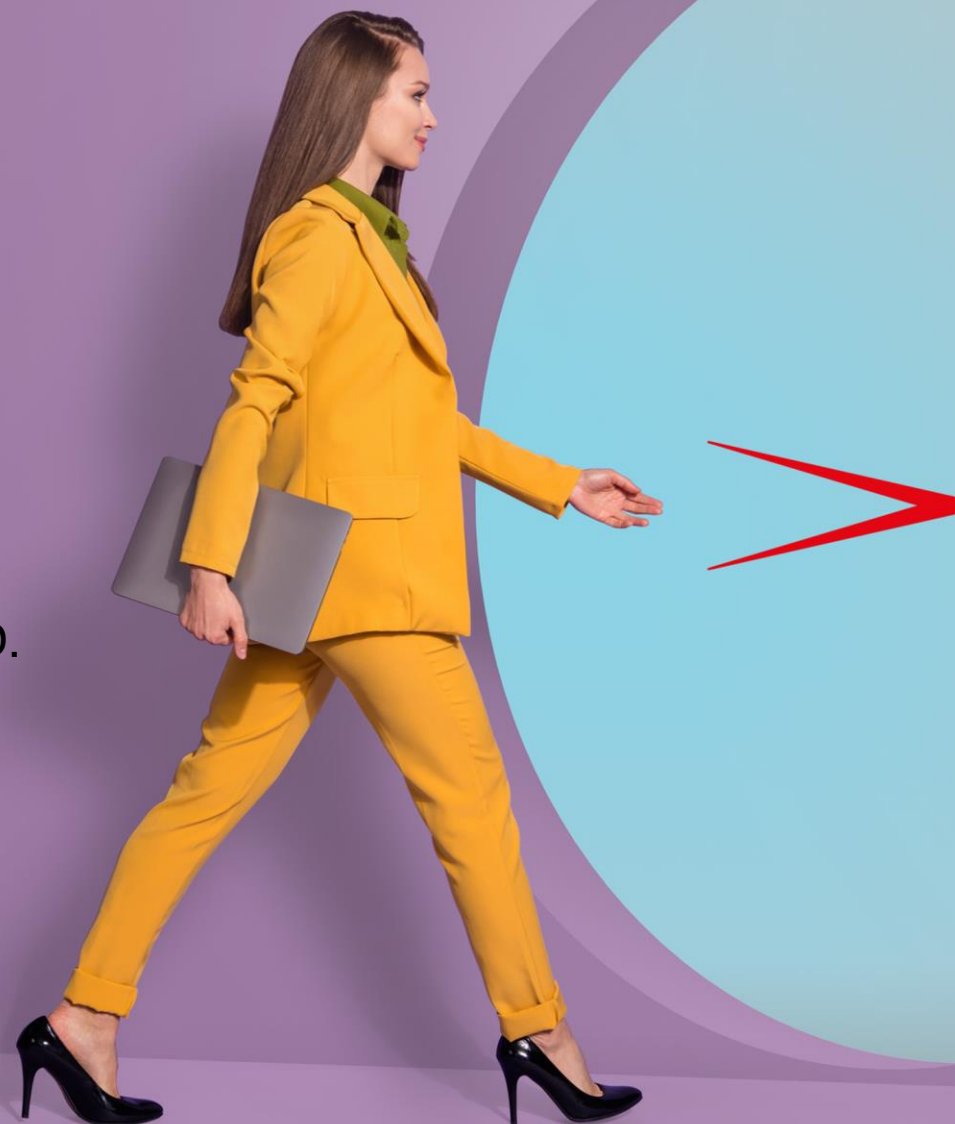
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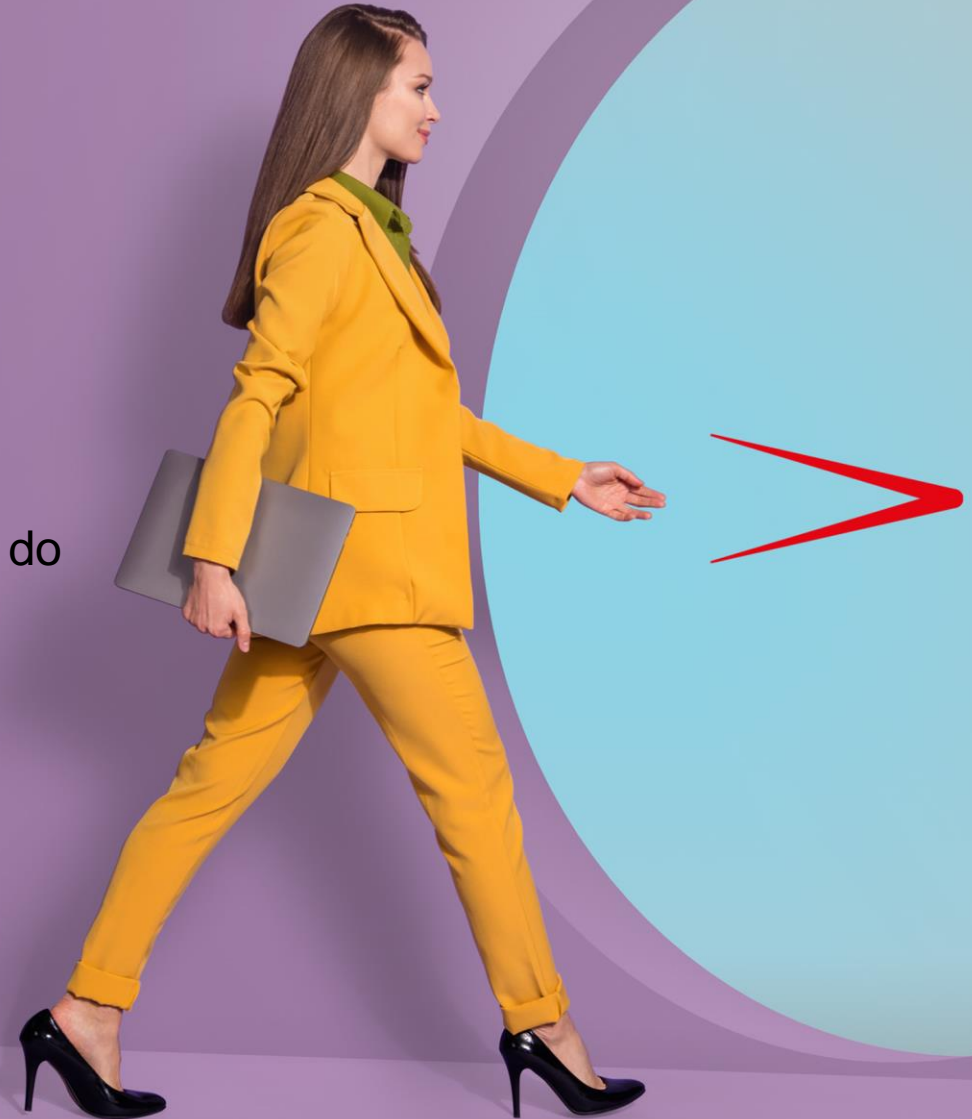




# Did you know?

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# Charities SORP 2026

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Joint chairs of Charities SORP Committee

# Setting the scene

- 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:
  - consulted on FRED 82 from December 2022 to March 2023
  - published FRS102 amendments in March 2024
  - published the updated FRS102 in September 2024
  - published fact sheets in late November 2024
- Effective date of new FRS102 is 1 January 2026

# What does this mean in practice for charities?

New accounting standards that must be complied with

The SORP has to be updated to be consistent

We are now consulting on the new SORP until 20 June 2025

The new SORP will be finalised and published later in 2025



# 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 has therefore involved a review of the whole SORP to make improvements to benefit users and to maintain consistency with accounting standards



# The timeline



# The consultation – key facts

- Consultation period 28 March to 20 June 2025
- Participation in the consultation is via completion of the online survey
- A full copy of the Invitation to Comment with all consultation questions has been published so that those with an interest can read and consider prior to completing the survey
- A summary consultation document has also been published as a short guide to the level of change to each module of the SORP

# The consultation – question areas

Section 1 – Tiering	Questions 1- 5
Section 2 – Trustees’ Annual Report	Questions 6 - 14
Section 3 – Statement of Financial Activities	Questions 15 - 16
Section 4 – Recognition of income	Questions 17 - 24
Section 5 – Lease accounting	Questions 25 - 29
Section 6 – Statement of cash flows	Questions 30 - 31
Section 7 – Total return	Questions 32 - 34
Section 8 – Social investment	Questions 35 - 39
Section 9 – Smaller charities	Questions 40-41
Section 10 – Other comments	Question 42

# Section 1 - Tiering

- Exposure Draft proposes a move to a 3 tier model to replace the current 2 tiers
- Designed to allow greater proportionality in requirements where the SORP-making body has flexibility
- Thresholds for the tiers are proposed to be helpfully consistent and not propose change for the sake of change
- Each module of the SORP starts by clearly explaining how the requirements apply to each tier

## Section 2 - Trustees' Annual Report

- Charity trustees should be participating in the development of the narrative report – we want to support more trustees to do so
- **Impact reporting** – required for tier 2 and tier 3 charities
- **Sustainability reporting** – required for the largest charities but encouraged for all
- **Volunteers** – having more information and in one place to make it easier to understand the contribution made to the charity
- **Reserves** – more explanations but also more disclosures to aid users of charity annual reports and accounts
- **Plans for the future** – extended to all charities
- Legacies – more explanation provided by charities in tiers 2 and 3

# Section 3 - Statement of Financial Activities

- Focus on providing more support for smaller charities in tier 1 to make use of the option to report on a natural classification basis
- An example SoFA is provided based on natural classification
- Keen to understand if this is helpful

# Sections 4 and 5 – revenue recognition and lease accounting

- Focus on ensuring charities understand the requirements in the key change areas of FRS 102
- All leases will now be on the balance sheet unless a recognition exemption applies and is used
- Recognition of income from contracts with customers – a new 5 step model is introduced
- The SORP consultation does not ask for views on the introduction of the new accounting treatments



## Section 6 - Statement of cash flows

- The SORP-making body has made use of where there is flexibility to propose that the income threshold for the preparation of a cash flow statement increases to £15 million 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
- Keen to hear views from those using accounts information as to any potential drawbacks of this proposal

# Sections 7 and 8 – total return and social investment

- More niche areas so expect fewer responses to these questions
- Total return changes stem from amendments made to the Charities Act 2022
- Social investment changes stem from different, simpler terminology now used in CCEW guidance and the advantages that can be taken to make reporting simpler

# Sections 9 and 10 – smaller charities and other comments

- The SORP-making body is keen to understand whether enough is being done to meet the needs of smaller charities who prepare accrued accounts whilst addressing the needs of users of charity reports and accounts
  - This must be considered in the context of the parameters that the SORP is developed within – i.e. within the confines of FRS 102
- Any other comments – suggestions for further improvement are always welcome!



# How to prepare

- Use available resources
- Review existing agreements and arrangements – charities need to understand what they have
- Seek advice if you need it
- Consider if different records or information should be kept
- Mention likely changes in the next Trustees' Annual Report
- Look out for updates – [www.charitycorp.org](http://www.charitycorp.org)



## And finally...

Please participate in the  
SORP consultation –  
complete the online  
survey by 20 June 2025

