



This summary document outlines the key aspects of the consultation on the Exposure Draft Charities SORP to facilitate ease of understanding and engagement in the process.

An Exposure Draft Charities SORP has been developed for consultation following changes to UK accounting standards and improvement work to ensure requirements are clearly explained and the resulting annual reports and accounts of charities are helpful to users of that information.

The Charities SORP-making body are seeking feedback on the Exposure Draft SORP through a 12 week consultation. Every contribution to the consultation process is important and will be carefully considered.

Key facts

Subject of the consultation	The Exposure Draft Statement of Recommended Practice 2026: Accounting and Reporting by Charities (the Exposure Draft SORP)
Scope of this Consultation	The Exposure Draft SORP sets out proposals for accounting and reporting by charities in the context of the <i>Periodic Review 2024 amendments</i> to FRS 102 effective for financial years beginning on or after 1 January 2026.
Who should read this consultation	Anyone with an interest in the preparation or use of charity annual reports and accounts based on the Charities SORP.
Period of consultation	The consultation runs for 12 weeks from 28 March to 20 June 2025.
How to respond to consultation	By using the survey available on the SORP micro-site at www.charitysorp.org .
Additional ways to be involved	SORP Consultation events will be held by sector and professional bodies and it is likely that a number of free events will be held by accountancy firms.
Getting to this stage and previous engagement	The proposals contained in this Exposure Draft have been developed by the SORP-making body with advice received from a sector-based expert SORP Committee and informed by a substantial engagement process with nearly 70 volunteer engagement partners.
After the consultation	A summary of the consultation responses will be published on the SORP microsite. The responses will inform the finalisation of SORP 2026 with a view to publishing the final SORP by Autumn 2025.

The SORP is structured using modules, each of which explains the relevant accounting and reporting requirements for a particular aspect of the annual report and accounts or particular types of transactions. To aid understanding of where the key changes are in the Exposure Draft SORP, the table below outlines the nature and substance of the changes made to each module in the Exposure Draft SORP.

Module number / title	Extent of proposed changes	Nature of proposed changes
Scope and application	Significant	Proposed introduction of an income-based 3 tier reporting regime. Also, changes to be consistent with FRS 102 and in response to stakeholder feedback
1. Trustees' Annual Report	Significant	New and enhanced disclosure requirements, including information about the charity's impact, volunteers and sustainability reporting plus changes to structure of module
2. Fund accounting	Limited changes	Updates to reflect changes in legislation and in response to stakeholder feedback
3. Accounting standards, policies, concepts and principles, including estimates and errors	Limited changes	Updated to be consistent with FRS 102 and in response to stakeholder feedback
4. Statement of Financial Activities	Moderate	Changes in response to stakeholder feedback including the addition of more examples to help illustrate the natural classification basis of reporting
5. Recognition of income, including legacies, grants and contract income	Significant	Updated to maintain consistency with FRS 102 and to provide additional guidance; restructured into two parts for income from exchange transactions and income from non-exchange transactions, with updates to the recognition criteria and clarifications on legacy income
6. Donated goods, facilities and services, including volunteers	Limited changes	Changes to be consistent with FRS 102 and to improve clarity of reporting

7. Recognition of expenses	Significant	In response to stakeholder feedback, this module has been streamlined and guidance on provisions, including accounting for funding commitments has been moved to the new module 10A Provisions, contingent liabilities and contingent assets
8. Allocating costs by activity in the Statement of Financial Activities	Limited changes	Changes in response to stakeholder feedback to support smaller charities' understanding of reporting based on natural classification
9. Disclosure of trustee and staff remuneration, related party and other transactions	Moderate	Changes to disclosure requirements regarding related party transactions and ex-gratia payments and clarification of requirements
10. Balance Sheet	Moderate	Changes to be consistent with FRS 102 and to assist users' understanding/usability
10A. Provisions, contingent liabilities and contingent assets	New module	Content previously covered elsewhere in the SORP but now restructured and relocated. Updates to ensure consistency with FRS 102
10B. Lease accounting	New module	Introduced as a result of new requirements brought in by FRS 102 with additional guidance and examples provided to support understanding and application of FRS 102 requirements
11. Accounting for Financial Assets and Financial Liabilities	Limited changes	Changes to be consistent with FRS 102 and to assist users' understanding/usability
12. Impairment of assets	Limited changes	Changes to be consistent with FRS 102 and to assist users' understanding/usability
13. Events after the end of the reporting period	Limited changes	Changes to assist users' understanding/usability
14. Statement of cash flows	Significant	Changes to relieve charities with income of less than £15 million from the need to prepare a cash flow statement unless required to do so by FRS 102
15. Charities established under company law	Editorial and legal updates	Changes to assist users' understanding/usability and to reflect current legal requirements

16. Presentation and disclosure of grant-making activities	Editorial	Changes to assist users' understanding/usability
17. Retirement and post-employment benefits	Limited changes	Changes to assist users' understanding/usability
18. Accounting for Heritage Assets	Significant	Changes to be consistent with FRS 102 and to assist users' understanding/usability
19. Accounting for funds received as agent or as holding trustee	Editorial	Changes to assist users' understanding/usability
20. Total Return (Investments) – England and Wales only	Editorial and legal updates	Changes to assist users' understanding/usability and to reflect current legal requirements
21. Accounting for social investments	Significant	Changes in terminology, disclosure and presentation; updated to be consistent with FRS 102 and to reflect changes in legal requirements
22. Accounting for charities pooling funds for investment	Limited changes	Updated to reflect changes in legal requirements
23. Overview of charity combinations or interests in other entities	Limited changes	Changes to be consistent with FRS 102 and to assist users' understanding/usability
24. Accounting for groups and the preparation of consolidated accounts	Limited changes	Updated to maintain consistency with FRS 102, to reflect changes in legal requirements and to assist users' understanding/usability, including with the introduction of new terms into the SORP within module 10B Lease accounting
25. Branches, linked or connected charities and joint arrangements	Limited changes	Changes to be consistent with FRS 102 and to assist users' understanding/usability
26. Charities as subsidiaries	Limited changes	Changes to be consistent with FRS 102 and to assist users' understanding/usability

27. Charity mergers	Limited changes	Changes to be consistent with FRS 102 and to assist users' understanding/usability
28. Accounting for associates	Limited changes	Changes to be consistent with FRS 102 and to assist users' understanding/usability
29. Accounting for joint ventures	Limited changes	Changes to be consistent with FRS 102 and to assist users' understanding/usability
Glossary	Limited changes	Changes to be consistent with FRS 102, to assist users' understanding/usability and to reflect changes in legal requirements