HW FISHER

Part of the SUMER Group

Supporting Charity Finance Directors

About us

The Sumer Group, top 11 accountancy practice, has offices throughout the UK employing over 3,000 people across more than 60 offices.

HW Fisher is part of the Sumer Group offering a full range of services to the charity sector. With 35 Partners and 300 staff in one office, we can offer a holistic approach to servicing and supporting our clients, but through our wider group and network we are able to draw from many specialists across multiple locations.

Some key headlines:

- We have specialists with many years' experience across a diverse range of clients in terms of both size and activities
- We regularly work with sector bodies such as Charity Finance Group, Honorary Treasurers Group and Charity Tax Group
- Carol Rudge is a longstanding member of the Charity Commission SORP Committee.

We support the sector by providing Finance Teams and Trustees with:

- Running regular webinars which are CPD accredited
- Working with organisations like Charity Finance Group and the Honorary Treasurers Forum to ensure their members are equipped with sound information including changes in regulation and general updates
- Holding regular Trustee virtual roundtables on topics such as AI, Cyber, EDI, Regulators' perspective
- Regular insights on subjects affecting their roles including recommendations on best practice solutions to take back to their organisations
- Membership of panels including the Charity Commission SORP Committee equipping us with firsthand knowledge of what's on the horizon.

Carol Rudge

Partner & Head of Not for Profit

E: crudge@hwfisher.co.uk

Diccon Thornely

Audit Partner

E: dthornely@hwfisher.co.uk

The Charity SORP 2026

The **Charities SORP 2026,** released at the end of October introduced a tiered, more proportionate approach to reporting, alongside new disclosure requirements around impact, ESG, and income recognition. For charities and auditors alike, the new framework represents both a technical shift and a cultural one — from compliance to communication.

A Tiered Approach to Reporting

One of the headline changes in SORP 2026 is the introduction of a three-tier reporting structure based on income levels. This reform ensures that smaller charities aren't overburdened by requirements designed for much larger entities.

Tier 1

Simplified reporting for smaller charities.

Tier 2

Moderate reporting, including enhanced disclosures.

Tier 3

Full SORP compliance for larger charities, including cash flow statements and detailed governance narrative.

This new approach aligns charity reporting more closely with company law thresholds and promotes proportionality and transparency.

Trustees' Annual Report: From Activity to Impact

The Trustees' Annual Report has seen some of the most significant updates. Beyond the traditional operational overview, trustees must now address:

- **Environmental, Social and Governance (ESG) factors** – how the charity manages its broader social impact.
- **Impact reporting** – now a mandatory disclosure for all charities.
- **Legacy recognition narratives** – particularly for Tier 2 and Tier 3 organisations.

This marks a shift toward storytelling and accountability, encouraging trustees to connect financial results with charitable purpose.

Income Recognition: The Five-Step Model

SORP 2026 adopts the five-step income recognition model from FRS 102, offering much-needed clarity in areas such as grants, contracts, and exchange transactions.

Charities must now carefully assess whether income arises from:

- **Exchange transactions** (where goods or services are provided in return), or
- **Non-exchange transactions** (pure grants or donations).

This guidance should bring greater consistency and transparency, especially for charities managing complex funding arrangements.

Balance Sheet and Leasing Reforms

To reflect updates in FRS 102, SORP 2026 introduces a new module on lease accounting. This provides step-by-step flowcharts and practical examples to guide charities through the classification and measurement of leases.

The new module is likely to have a material impact for charities that rent property, vehicles or other assets. With significant judgments and estimates needed for implementation, not least considering social donation leases, peppercorn rent and discount rate calculations.

Provisions and Contingent Liabilities: New Clarity

A new standalone module on provisions (10A) replaces the previous section embedded within expenses. The goal: to help preparers better distinguish between certain and uncertain obligations.

For charities managing multi-year grants or commitments, this clearer framework supports more consistent and defensible accounting judgments.

Cash Flow Statement: Simplification for Smaller Charities

Under previous SORP rules, charities with income over £500,000 were required to produce a cash flow statement. The new threshold is £15 million, meaning only Tier 3 charities must now include one.

While FRS 102 may still impose a requirement for some entities, this change should substantially reduce administrative pressure for mid-sized organisations.

Social Investments and Legal Alignment

SORP 2026 also updates guidance on social investments, bringing terminology in line with the Charities Act 2011. Terms such as "Mixed Motive" and "Programme Related" investments have been retired in favour of a clearer, unified concept of social investment.

Meanwhile, Module 20 (Total Return Investments) reflects changes from the Charities Act 2022, introducing three new disclosures under Section 104AA(2) to enhance accountability and transparency in investment reporting.

Other Important Adjustments

Several additional updates round out the picture:

- **Trustee and staff remuneration (Module 9)** now requires disclosure of transactions with *former* related parties.
- **Heritage assets (Module 18**) gain new valuation guidance for donated assets.
- **Events after the reporting period (Module 13)** adds examples clarifying the treatment of legacies.
- **The Glossary** now includes an official definition of *reserves,* bringing long-needed consistency to a frequently misunderstood term.

What should you do now?

Familiarise yourself with the new SORP

The SORP can be found at https://www.charitysorp.org with a very helpful summary of key changes presented on the Charity SORP website to help focus you to the key areas.

Update your trustees, wider stakeholders and senior team

These changes affect more than just finance staff. Make sure your board and leadership are aware of the impacts on your reporting and what they review.

Plan for training and support

Consider what guidance your team need. This might include training on the new leases module, 5 step revenue model or support with changes to your financial systems. Assessing the time availability for you and your finance team, it may be sensible to outsource this review to those more experienced in Financial Reporting,

Stay informed

We will continue to share insights, examples and practical tools to support charities as they prepare for SORP 2026, with key timings of events set out below.

Our webinars

1 July 2026 – Revenue recognition deep dive for Charities

This session will focus on revenue recognition issues specific to charities, including the treatment of grants, donations and other incoming resources under FRS 102. We will cover:

- Key revenue requirements under FRS 102 for Charity SORP
- Distinguishing between exchange and non exchange transactions
- 5 Step model, including performance obligations, determining transaction price and timing of recognition
- Practical examples challenges for Charities
- Practical considerations and common pitfalls

15 July 2026 – Deep dive into lease accounting for Charities

This session will focus on lease accounting for charities, addressing sector specific challenges and practical application issues. We will discuss:

- Identifying and accounting for leases under FRS 102 and the Charity SORP
- Identifying lease arrangements and Non-transaction leases
- Disclosure requirements
- Practical examples commonly encountered in the charity sector

23 September 2026 – Fair Value and other changes impacting the SORP for Charities

The final webinar in the series will focus on fair value and other SORP changes relevant to charities, highlighting practical challenges and sector specific considerations. Topics include:

- Fair value measurement in a charity context
- Common assets and liabilities affected
- Wider SORP changes impacting charities
- Preparing for upcoming reporting periods.

Scan to join here:

HW FISHER

Part of the **SUMER** Group

LONDON

Acre House, 11-15 William Road, London NW1 3ER

+44 (0)20 7388 7000

hwfisher.co.uk