A Trustee's Plain-English Guide to Charity SORP

Most people don't join a charity board because they love reading accounting standards. You signed up because you care about the cause. But somewhere along the way, "financial reporting for trustees" becomes part of the job description whether you asked for it or not. That's just how trusteeship works.

Here's the reassuring part: you don't need an accounting degree to make sense of Charity SORP. You just need someone to explain it properly, without the jargon. That's what this guide is for — and with the updated Charities SORP 2026 now in force, it's a good moment to catch up.

What Is Charity SORP?

SORP stands for Statement of Recommended Practice. In practice, it's the rulebook that tells UK charities how to prepare their financial statements, so that anyone reading them — trustees, funders, regulators, the public — can trust the numbers mean what they appear to mean.

Charities don't run like ordinary businesses. Money often arrives with strings attached: a grant for a specific project, a legacy for a particular purpose, a donation that can only fund one part of the work. Ordinary accounting rules aren't built to handle that. SORP exists specifically to deal with it.

The 2026 edition applies to accounting periods starting on or after 1 January 2026. If your financial year began in January, you're already working under the new rules. If your year starts later in 2026, they'll kick in from that point.

What's Actually Changed in SORP 2026

A few things are genuinely different this time round, and it's worth trustees knowing the headlines even if the fine print belongs to your finance team.

A New Three-Tier System

The old two-tier structure is gone. SORP 2026 sorts charities into three tiers based on gross income, with reporting requirements that scale up as income rises — smaller charities face a lighter touch, larger ones face considerably more disclosure. The clearest line in the sand is at £15 million: charities above that income level now have to produce a full cashflow statement alongside their usual accounts, something mid-sized charities used to have to do but no longer need to worry about.

If you're not sure which tier your own charity sits in, that's a perfectly reasonable question to put to your treasurer or finance team — the exact boundaries between the lower tiers are worth confirming against the current SORP text rather than assuming from memory.

Income Gets Recognised Differently

SORP 2026 draws a sharper line between two kinds of income. Where a charity provides something in return for payment — running a paid training course, say, or renting out a hall — that's an "exchange transaction," and the income now has to be recorded when the service is actually delivered, not simply when the cash lands in the bank. Donations, legacies, and grants without performance conditions are treated differently and are largely unaffected.

You don't need to memorise the mechanics — just know that the timing of when income shows up in your accounts may shift, and that's expected, not a red flag.

Leases Move Onto the Balance Sheet

This is one trustees often find genuinely surprising. Most leases — office space, equipment, vehicles — now have to appear on the balance sheet as both an asset and a liability, rather than simply being logged as a monthly cost. If your charity rents its premises, don't be alarmed when the balance sheet suddenly looks bigger next year. It isn't a sign anything's gone wrong; it's just a different way of showing what was already true.

The Trustees' Annual Report Has More to Say

The Trustees' Annual Report — the narrative section that sits alongside the numbers — now asks for more depth on how the charity plans to fund its work going forward, how it manages risk, and how effective its activities have actually been. It's less "tick the box" and more "tell the story properly."

The Language of Your Accounts, Translated

A handful of terms come up again and again in charity accounts. Knowing what they mean is enough to follow most board-level finance conversations.

SoFA (Statement of Financial Activities): The charity sector's version of a profit and loss account — income and spending over the year, broken down by fund type.

Balance Sheet: A snapshot of what the charity owns and owes on the last day of the financial year.

Restricted Funds: Money earmarked for a specific purpose by whoever gave it, which can't legally be spent on anything else.

Unrestricted Funds: Money trustees can allocate at their own discretion, within the charity's general objects.

Reserves Policy: A document explaining how much money the charity deliberately keeps in reserve, and why — trustees are responsible for setting this and should be reviewing it, not just rubber-stamping last year's version.

If a term in your accounts doesn't make sense, ask. Nobody expects a trustee to already know this — asking is what good governance looks like in practice.

Why This Matters to Funders, Not Just Regulators

Here's the part that tends to get trustees' attention: funders care about this too.

Grant-making trusts, statutory funders, and major donors routinely ask for a charity's most recent accounts as part of due diligence before they'll release money. Clean, SORP-compliant accounts tell a funder your charity is well run and accountable. Messy or non-compliant accounts do the opposite — they raise questions about financial controls and governance, and questions slow down or sink funding decisions.

Put simply: good financial reporting isn't just a compliance exercise. It's part of how your charity earns the trust that keeps money coming in.

Where Trustees Tend to Trip Up

A few patterns come up repeatedly, even among conscientious boards:

Assuming finance is "the treasurer's problem": It isn't. Every trustee shares legal responsibility for the accounts, even if one person does the technical preparation.

Mixing up restricted and unrestricted funds: Spending a restricted grant on general running costs is a compliance failure, even when it happens by accident rather than design.

Treating the Trustees' Annual Report as paperwork: Under SORP 2026 it carries more weight than before, and funders read it closely.

Not asking about the lease changes: If your charity rents anything, ask your finance team how the new rules affect your balance sheet — better to hear it from them than be surprised at the AGM.

Letting the reserves policy go stale: A policy written years ago may no longer reflect your charity's actual financial position.

A Working Checklist for Your Next Board Meeting

Bring these questions to your finance committee or full board:

Which SORP tier applies to us? Confirm this has been checked for the current financial year.

Do we cross the £15 million threshold? If so, a cashflow statement is now required.

Are our funds properly classified? Ask for a clear breakdown of restricted versus unrestricted funds, with proper records for each restricted fund.

Have our leases been reviewed? Confirm how they now appear on the balance sheet.

Is our income recognition approach current? Particularly for any contracted or service-based income.

When did we last actually review our reserves policy? Not just reapprove it — genuinely review it.

Does our Trustees' Annual Report meet the fuller requirements? Ask your finance team or auditor to confirm.

Are our accounts funder-ready? Consider how they'd hold up to a prospective funder's due diligence check.

Understanding SORP Is Part of the Job

Nobody expects a trustee to become an accountant. But you are legally responsible for making sure your charity's financial statements are accurate and honest, and SORP is the framework that shapes what those statements look like. The 2026 changes raise the bar a little, but they also give charities a clearer way to show they're being run properly.

The practical takeaway is simple: ask good questions, understand what your accounts are telling you, and make sure your finance team and auditor have what they need. A charity that takes financial reporting seriously isn't just avoiding risk — it's building the kind of credibility that helps it grow and attract the funding it needs to keep doing its work.

Further reading: the Charity Commission publishes official guidance on charity reporting and accounting, and NCVO has a range of resources aimed specifically at trustees new to finance.

Frequently Asked Questions

Does SORP 2026 apply to my charity right now? It applies to accounting periods starting on or after 1 January 2026. If your financial year began on or after that date, the new rules apply to your next set of accounts.

My charity is small — do the new rules still apply to us? Smaller charities generally face lighter reporting requirements under the new tiers, but the core principles — fund accounting, the Trustees' Annual Report — still apply. Check with your independent examiner or auditor to confirm exactly what's expected of your charity.

Who's actually responsible if our accounts aren't SORP-compliant? All trustees share collective legal responsibility. Your finance team or auditor prepares the accounts, but the board has to review and approve them — that responsibility can't be handed off entirely to one person.

What's the difference between an auditor and an independent examiner? Charities above a certain income threshold need a full professional audit. Smaller charities can often use an independent examiner instead — a lighter-touch but still regulated form of scrutiny. The Charity Commission's guidance will tell you which applies to your charity.

Does any of this affect our grant applications? Often, yes. Many grant-makers ask for SORP-compliant accounts as part of their application process, and clear, well-presented accounts tend to increase a funder's confidence in an organisation.

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Meta description: New to Charity SORP? This plain-English guide explains the 2026 updates, key financial terms, and what UK trustees need to do to stay compliant.