

## The Charities SORP (2026), Impact and Sustainability What's new, why it matters, and how to address it

### The updated Charity SORP

Following consultation, the Charity Commissions for England and Wales, for Northern Ireland, and the Scottish Charity Regulator have published an update to FRS102, the Charity SORP. This is effective for charities in those jurisdictions for accounting periods beginning on or after 1 January 2026. One of the significant changes is to disclosures in the Trustees report about Impact being achieved in line with mission and strategy. Given the importance of this for each charity, and the benefits to be gained by ensuring that stakeholders understand it, we welcome the changes.

This briefing outlines the requirements in the SORP and gives guidance on the approaches charities may take to responding to them, suggesting how real benefits can be gained from it.

It is written by Impact specialists, who are also Chartered Accountants with wide experience of working with charities, and who are themselves charity trustees. It is intended for all of those involved in managing and governing charities for whom marrying accounting, impact reporting and the annual Trustees Report poses some puzzles.

### New Impact Reporting Requirements

#### The tiering approach

For disclosures and for aspects of the accounting approaches, the SORP introduces tiering for charities. As before this update, the SORP applies to charities for which at least one of the following is true:

- registered with Companies House (so not CIOs<sup>1</sup>)
- having a gross income of more than £250,000 a year,
- whose governing document requires it to prepare accounts on an accruals basis.

The tiers are:

Tier 1	Annual gross income less than £500,000
Tier 2	Annual gross income of at least £500,000 but less than £15m
Tier 3	Annual gross income of at least £15m

<sup>1</sup> Charitable Incorporated Organisations formed under the Charities Act 2011

## Impact reporting is now required for all charities

- Under the new SORP, every charity preparing accruals accounts must include information on impact in the Trustees' Annual Report — not just large ones. This represents a shift from previous guidance where explicit impact reporting was less universal.
- The aim is to make charities show not just activities or outputs<sup>2</sup> but the difference their work makes — on beneficiaries and potentially on wider society

## Definition of “impact”

The SORP includes definitions in its glossary:

- Impact: *“the effect or influence that a charity has on its beneficiaries and wider society.”*
- Impact reporting: *“the difference a charity’s work has made to the circumstances of its beneficiaries and, if practicable, any wider benefits to society as a whole.”*

These definitions are helpful as they look not just for the effect that happens but reflect on how it is caused by the charity, the main focus of interest for many stakeholders. This draws on what some call the European definition of impact, developed by the social sector for EU legislation and funding.<sup>3</sup>

## Narrative requirements are strengthened

- Trustees' Annual Reports must explain the charity's impact — linking financial and narrative reporting. This means showing *how* resources and activities have contributed to positive change, rather than just listing activities.
- This emphasis means that data points should not simply be listed; they need to be explained in terms of why they are relevant, why they matter, and why they are being monitored. It also increases the importance of narrative evidence, such as stories that illustrate impact.

## Tier-specific expectations

- All tiers must include basic impact information, but larger charities are expected to provide more detailed narrative reporting on impact, outcomes, long-term effects, and performance against objectives.
- For example, Tier 2 and Tier 3 charities will need to:
  - Summarise the measures or indicators used to assess performance
  - Assess whether they have been successful
  - Explain primary and secondary outcomes achieved by key activities
  - Link outcomes to long-term objectives, mission and societal effects.In addition, Tier 3 charities will need to include:
  - Sustainability Reporting in the Trustees' Annual Report

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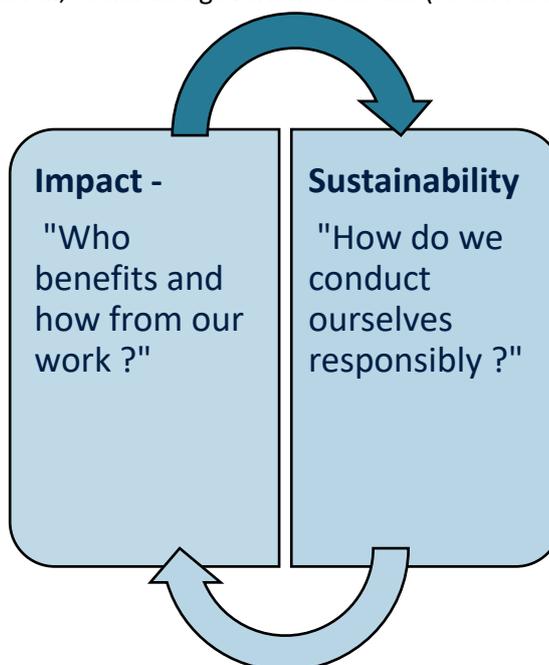
<sup>2</sup> Defined in the GECES standards as “the tangible products or services from the activity (of the social enterprise); effectively the points are which the services delivered enter the lives of those affected by them.”

<sup>3</sup> The ‘standards’ for impact measurement produced for the European Commission remain a good resource for further guidance on meaningful impact measurement. They can be found at <https://op.europa.eu/en/publication-detail/-/publication/0c0b5d38-4ac8-43d1-a7af-32f7b6fcf1cc>

- Whilst the sustainability disclosures are optional for Tier 1 and 2 charities, we anticipate that at least the Tier 2 charities may want to make selective disclosures. This will perhaps be expected if they have material income from public commissioners, or are approaching institutional grant-makers or investors for funding.

### Dedicated Sustainability Section

- The SORP introduces a new section on sustainability in the Trustees' Annual Report. This reflects a broader focus on environmental, social and governance issues (often referred to as ESG) alongside traditional financial and impact reporting.
- A definition of sustainability reporting has been added to the SORP glossary, helping charities frame what this means in practice.
- The sustainability section *complements, but is distinct from*, impact reporting (which focuses on the organisational difference charities make to beneficiaries and society).



### How can charities respond to the new Impact requirements ?

Choosing the appropriate response needs to take account of who is going to see, or reference, the material, and how is it that you want them to react to it. Even more specifically, what do you want them to do as a result ?

We see a choice between three broad approaches:

- A. Compliance or Minimalist, based on a sound supporting framework**
- B. Meaningful, engaging, and persuasive disclosure based on a fuller supporting framework**
- C. Meaningful, engaging and persuasive disclosure, but with the back-up of separate impact reporting**

Where relevant, additional areas may be overlaid onto the explanations of core activity and beneficiary impact.

**What is involved in each approach, and how can Sonnet help ?**

**A. Compliance or Minimalist, based on a sound supporting framework**

<p><b>For all Tiers:</b></p> <ul style="list-style-type: none"> <li>• Understand need of beneficiaries, and relate strategy to this</li> <li>• Reframe activity as a response to this, and link it to the outcomes being, or expected to be, achieved that meet those needs</li> </ul> <p><b>For Tiers 2 and 3, and recommended for Tier 1:</b></p> <ul style="list-style-type: none"> <li>• Create a framework, comprising a Theory of Change and Outcomes Framework</li> </ul> <p><b>Tiers 2 and 3:</b></p> <ul style="list-style-type: none"> <li>• Develop a simple measurement framework from the Outcomes Framework</li> <li>• Support that with some focused primary evidence-gathering</li> </ul> <p>Develop the disclosures in the Trustees’ report, supported with available infographics and data</p>	<p><b>Sonnet’s support:</b></p> <ul style="list-style-type: none"> <li>• Developing this from assessing existing evidence, and drawing together insights from across the delivery teams within the organisation</li> <li>• Presenting material in a Theory of Change and Outcomes Framework</li> <li>• Draft or co-draft the disclosures</li> </ul> <ul style="list-style-type: none"> <li>• Working with the internal team to develop a straightforward set of measurements that are easy to gather, and which build on what is already being done</li> <li>• Undertake foundational primary research to support the Outcomes Framework and the measurement</li> <li>• Advise on ongoing measurement and disclosure</li> </ul>
<p><b>This will achieve</b> a sound and interesting compliance with the requirements of the SORP, with some core infographics of wider use across the organisation.</p>	

**B. Meaningful, engaging, and persuasive disclosure based on a fuller supporting framework**

<p><b>As for Option A, but:</b></p> <ul style="list-style-type: none"> <li>• Built from Archetype storylines, bringing a greater intricacy to the understanding of outcomes, and exploring more deeply how these develop secondary outcomes from the primary ones</li> <li>• Presenting the Archetypes as infographics and storylines, and adding more detail to the Theory of Change with the benefit of these, giving a stronger view of causation behind the impacts expected and being achieved</li> <li>• Add additional detail and a wider range to the Outcomes Framework, giving clearer views of the benefits to a wider range of stakeholders, such as public commissioners</li> <li>• Add economic evaluation of selected outcomes based on each of the archetypes</li> </ul>	<p><b>Sonnet’s support (in addition to Option A):</b></p> <ul style="list-style-type: none"> <li>• Developing the archetypes using story-telling approaches, and validating these with primary and analysis of secondary research</li> <li>• Presenting the stories and the journey maps</li> <li>• Linking these to Theories of Change and Outcomes Frameworks, adding and analysing the additional detail</li> <li>• Developing the economic evaluation and the model for ongoing use by the charity</li> <li>• Advice on how to use the additional material for engagement with external commissioners and other stakeholders</li> <li>• Advice if and as required relating to ongoing measurement and the systems to support that.</li> </ul>
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**This will achieve** an articulation of the impacts being achieved, firmly embedded in the stories of the beneficiaries as their foundation. Intricate and at the same time clear and human, it will enable good conversations with beneficiaries, funders, commissioners, staff and delivery partners. Archetypes will be expressed as narrative stories and journey maps. This creates a good foundation for wider discourses such as collective impact models.

It enables a dynamic development of the impact model under the control of the charity. Outputs are in the Trustees' Report, and in a range of infographic and other material for the charity to use as it feels fit, including an economic model showing the effects on key external stakeholders.

### C. Meaningful, engaging and persuasive disclosure, but with the back-up of separate impact reporting

#### As for Options A and B, but:

- Developing separate, regular, impact reporting
- Including and reporting the deeper, and changing, impact view which develops over time
- Including a deep dive on certain services and enabling reporting in a distinct form and with distinct datasets for those, going beyond the level appropriate for the Trustees report

#### Sonnet's support (in addition to Options A and B):

- Developing a foundational report for publication
- Advising on content and styles of presentation
- Supporting on developing measurement systems

**This will achieve** a more detailed foundational report with which to influence key stakeholders, and to argue the case for certain outcomes and metrics in the framework if these are undetermined or the subject of argument. It will also establish the additional published detail that supports what is said in summary in the Trustees' report

### D. Other overlays may include

- Frameworks for planning and measuring systems change and policy influence
- More detailed explanations of need, and context for beneficiaries, including root cause analysis of the difficulties they are facing and why
- Impact of funding, research and innovation, sector guidance, and other indirect working to meet needs.

### Practical Emphasis and Challenges

The update reflects a broader push for greater transparency and accountability in charity reporting, helping donors, regulators and the public to understand not only what charities do, but the difference they make. However, some sector bodies have cautioned that many charities may find it challenging to measure impact in a meaningful way and that, without careful thought, reporting risks becoming boilerplate or repetitive. The guidance therefore encourages charities to focus on the *outcomes and impact indicators that are most relevant* to their mission, rather than relying on generic metrics devoid of the humanity of the real stories.

### If you'd like to know more, or discuss more specific questions...

...please contact

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or one of the other Senior Advisors on [contact@sonnetimpact.co.uk](mailto:contact@sonnetimpact.co.uk)

### About Sonnet

Sonnet is an impact-focused research, financial, design and strategic consultancy. Its team has been in this field for over twenty years and are recognised impact specialists with a strong track record of supporting charities to understand, evidence and strengthen the difference they make.

Combining deep expertise in impact measurement with Chartered Accountancy qualifications, it offers a rare blend of strategic insight and technical assurance. This means its advisors don't just interpret the Charities SORP — they help you translate its requirements into clear, practical and proportionate actions that add value, rather than burden. Their support is tailored to your starting point and focused on helping you communicate impact in a way that is meaningful to your stakeholders and aligned with your mission.

## Appendix – disclosure requirements

Section, and requirement	Tier	Ref	
<b>Overall requirement</b>			
Disclosures in the Trustees' report should be consistent with the information shown in the accompanying accounts	<b>1</b>		
<b>Objectives and activities</b>			
Charities must provide a summary of: <ul style="list-style-type: none"> <li>the purposes of the charity as set out in its governing document</li> <li>the main activities undertaken in relation to those purposes</li> </ul>	<b>1</b>	<b>1.19</b>	
Charities in England, Wales and Northern Ireland must also: <ul style="list-style-type: none"> <li>explain the main activities undertaken to further the charity's purposes for the public benefit</li> <li>include in their report a statement confirming whether the trustees have had regard to the Charity Commission's guidance on public benefit</li> </ul>	<b>1</b>	<b>1.20</b>	
The report should explain the activities, projects or services identified in the accompanying accounts	<b>1</b>	<b>1.22</b>	
Provide the user with a more detailed understanding of their short term and longer term aims and objectives and how those in the short term relate to those in the longer term.  Regarding activities, explain the scale and the resources used in their delivery  Consider and answer the following questions: <ul style="list-style-type: none"> <li>What aims and objectives have trustees set for the charity this reporting period and how has the charity performed against the stated aims and objectives?</li> <li>What significant activities does the charity undertake (including its main programmes, projects or services provided) and how do these contribute to the achievement of the charity's stated aims and objectives?</li> <li>What are the changes or differences the charity seeks to make through its activities?</li> <li>What are the charity's strategies for achieving its stated aims and objectives?</li> <li>What criteria or measures does the charity use to assess success in the reporting period?</li> </ul>	<b>2</b>	<b>1.23 and 1.24</b>	

Section, and requirement	Tier	Ref	
<b>Achievements and performance</b>			
<p>The report must contain a summary of the main achievements of the charity. To assist with this, the following questions should be considered by trustees in preparing their report:</p> <ul style="list-style-type: none"> <li>In what way has the charity's work made a difference to the circumstances of its beneficiaries?</li> <li>Has the charity's work provided any wider benefits to society as a whole?</li> </ul> <p>Other relevant information may be included...</p>	<b>1</b>	<b>1.27</b>	
<p>How well the charity and any subsidiaries carried out their activities and ....</p> <p>The extent to which the achievements in the reporting period met the aims and objectives set by the charity for the reporting period.</p>	<b>2</b>	<b>1.28</b>	
<p>The impact the charity is making</p> <p>The long-term effect of its activities on</p> <ul style="list-style-type: none"> <li>individual beneficiaries</li> <li>society as a whole.</li> </ul> <p>In particular, the use of personal beneficiary or society-wide impact stories may be of value in communicating meaning.</p>	<b>2</b>	<b>1.30</b>	
<p>This should include:</p> <ul style="list-style-type: none"> <li>A summary of the measures or indicators used to assess performance (including in relation to environmental or social issues, if applicable)</li> <li>An explanation of the outputs achieved by particular activities especially when numerical targets have been set (for example, the number of beneficiaries to be reached by a particular programme, or the number of events or interventions planned as part of an activity)</li> <li>Information on activities, outputs, and outcomes (or impacts) in the context of how they have contributed to the achievement of the charity's aims and objectives</li> </ul>	<b>2</b>	<b>1.31</b>	
<p>The report should comment on those significant positive and negative factors, both within and outside the charity's control, which have affected the achievement of its objectives and, where relevant, explain how this has influenced future plans.</p>	<b>2</b>	<b>1.32</b>	
<b>Financial review</b>			
<p>Recognising that these may relate to activities and the delivery of impact:</p>			

Section, and requirement	Tier	Ref	
Description of the principal risks, including any risks arising from environmental issues, cyber and uncertainties facing the charity and its subsidiary undertakings, as identified by the charity trustees, together with a summary of their plans and strategies for managing those risks	2	1.44	
The report must explain any factors that are likely to affect the financial performance or position going forward.	3	1.46	

Plans for future periods			
The report must provide a summary of the charity's plans for the future.	1	1.47	
... including its aims and objectives and details of any activities planned to achieve them.	2	1.48	
the trustees' perspective of the future direction of the charity. It should explain, where relevant, how experience gained or lessons learned from past or current activities have influenced future plans and decisions about allocating resources to their best effect.	2	1.49	

Other elements beyond the impact ones			
<b>A. Volunteers</b>			
An explanation to help the user to understand the scale and nature of the activities undertaken by different volunteer roles and the input from volunteers. <sup>4</sup>	1	1.21	
Charities reporting on the contribution <sup>5</sup> of general volunteers should provide: <ul style="list-style-type: none"> <li>information on the number of volunteers</li> <li>an explanation of the activities that volunteers support or help to provide</li> </ul>	2	1.26	

<sup>4</sup> This description is important as measurement issues, including valuing the contribution of general volunteers, often prevents this being included in the statement of financial activities (see the SORP module 6 'Donated goods, facilities and services, including volunteers').

<sup>5</sup> Charities may provide details of the contribution in terms of volunteer hours or staff equivalents, if practicable.

Section, and requirement	Tier	Ref	
<b>B. Grant-making<sup>6</sup></b>			
Where this forms a material part of its charitable activities, the report must explain the charity's grant-making policy for the selection of individuals or institutions who are to receive grants	<b>2</b>	<b>1.25</b>	
<b>C. Social Investment<sup>7</sup></b>			
Where this forms a material part of its charitable and investment activities, the report must provide an explanation of its social investment policies and explain how the investments contributed to the achievement of its aims and objectives	<b>2</b>	<b>1.25</b>	
<b>D. Fundraising activities</b>			
Their review of: <ul style="list-style-type: none"> <li>the performance of material fundraising activities against the fundraising objectives</li> <li>if material expenditure was incurred to raise income, the report must explain the effect this expenditure has had, and is intended to have, on the net return from fundraising activities for both the reporting period and future periods</li> </ul>	<b>3</b>	<b>1.33</b>	
<b>E. Sustainability</b>			
Trustees <b>may choose</b> to explain in the report how the charity is responding to and managing environmental, governance and social matters. Trustees are encouraged to consider the needs of stakeholders when reporting in this area.	<b>1</b>	<b>1.60</b>	
A summary of how the charity is responding to and managing environmental, governance and social matters	<b>3<sup>8</sup></b>	<b>1.61</b>	

<sup>6</sup> **Grant payments** are any voluntary payments (or other transfer of property) in favour of a person or institution made by a charity in furtherance of its charitable purposes. The payment or transfer may be for the general purposes of the recipient, or for some specific purpose such as the supply of a particular service. It may be unconditional, or be subject to conditions which, if not satisfied by the recipient, may lead to the grant, or property acquired with the aid of the grant or part of it, being reclaimed by the charity.

A charity may make a performance-related grant, in which case it recognises its liability, as the goods or services specified in the grant terms are provided by the recipient.

<sup>7</sup> **Social investment** is a class of assets that comprises investments undertaken for both a financial return and to further the investing charity's purposes.

<sup>8</sup> Charitable companies which fall within the scope of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (incorporating changes in the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) 2018 Regulations) must provide the disclosures required under these regulations. Some charitable companies may also be subject to the requirements in s414CB of the Companies Act 2006 for climate related disclosures. Charitable companies in the Republic of Ireland which fall within the scope of the European Union (Corporate Sustainability Reporting) Regulations 2024 must provide the disclosures required under these regulations.