





# **SORP 2026: Time to switch to Receipts & Payments accounts?**



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Receipts & Payments Accounts

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# Today's speakers

## John Howard

Partner - Head of Charities and Not for Profit

Email: [john.howard@azets.co.uk](mailto:john.howard@azets.co.uk)



## Siobhan Holmes

Partner – Charities and Not for Profit

Email: [siobhan.holmes@azets.co.uk](mailto:siobhan.holmes@azets.co.uk)



# Why does this matter now?

## Threshold increase impact

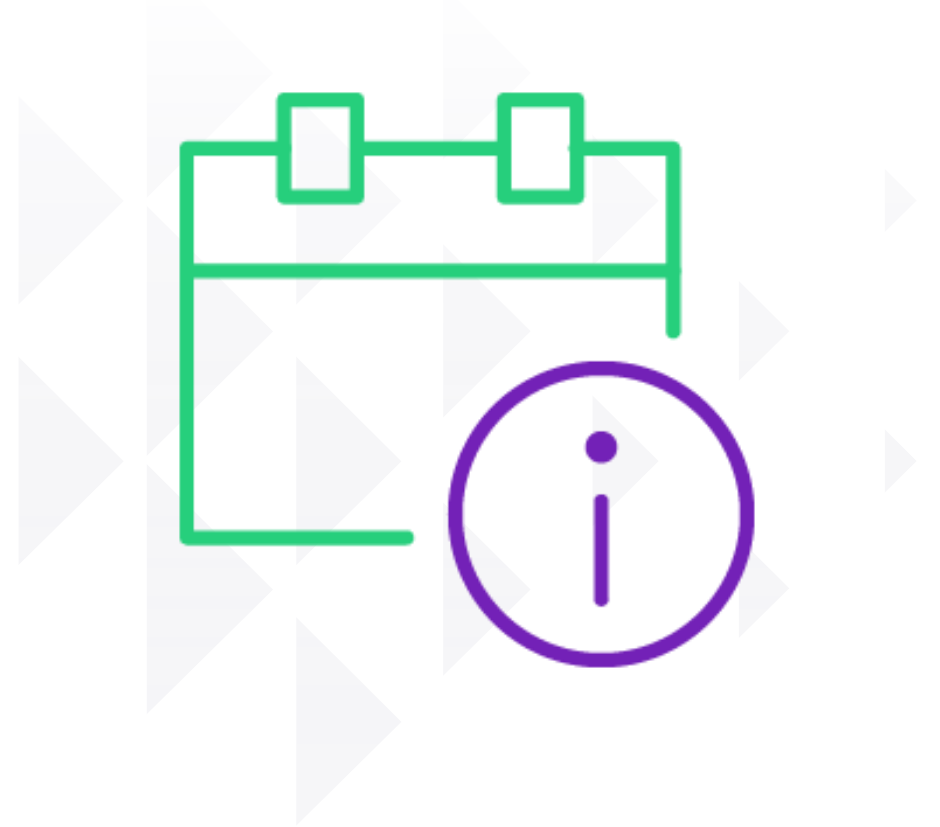
- ▶ Raising the accruals accounts threshold from £250,000 to £500,000 (from 30 September 2026) allows more non-company charities in England and Wales to choose cash-based reporting. (NB: Thresholds for OSCR and NI remain unchanged at £250,000).
- ▶ Approximately 90% of non-company charities will be eligible.

## Complexity of new regulations

- ▶ Recent Charities SORP updates add technical complexities, especially concerning lease accounting for smaller charities. Receipts and payments accounts do not need to comply with the Charities SORP.

## Balancing value and resources

- ▶ Trustees question if accruals accounting's value outweighs its cost and complexity for their organisations.



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# What are receipts and payments accounts?

## Cash basis accounting

- ▶ Receipts and payments accounts record only actual cash received and paid during the financial year, excluding accruals.

## Exclusion of accruals

- ▶ Receipts and payments accounts do not account for prepayments, depreciation, or provisions, focusing solely on cash movements.

## Simple format

- ▶ A focus on cash stewardship with a simpler format.

## Statutory compliance

- ▶ Despite their simplicity, R&P accounts are statutory and must meet all legal and regulatory requirements under the Charities Act and relevant Charities Commission guidance.



# How does this align with the Charities SORP?

10. The SORP is only relevant to charities who prepare their accounts on an accruals basis. Charities must prepare their accounts on an accruals basis if any of the following apply:
- a) the charity is registered in England and Wales or Northern Ireland and gross income exceeds £250,000 for the year
  - b) the charity is registered in Scotland and gross income for the year is £250,000 or more
  - c) the charity is a company registered with Companies House
  - d) the charity's governing document requires accounts to be prepared on the accruals basis.

Changing to £500,000 from 30 September 2026 for non-company charities in E&W only.

Unincorporated charities or CIOs.

11. If none of the situations listed in a) to d) above apply, charities may be eligible to opt to prepare receipts and payments accounts. In such circumstances, the trustees should assess, in accordance with their own circumstances, whether the receipts and payments basis or the accruals basis is more useful to the users of their accounts. Where charities elect to prepare receipts and payments accounts, this SORP does not apply.

Receipts and payments accounts, the SORP does not apply, and accounts prepared on this basis should not claim that they comply with the Charities SORP.

\* Extract from Charities SORP 2026 (October 2025) paras 10 & 11



# What is the difference with accruals accounts?

	Accruals accounts	Receipts and payments accounts
Charities SORP	Required	Not required – instead, Charity Law and Charity Commission guidance to be followed
Trustees Report	Yes - SORP compliant	Yes – simplified version
Income statement	Summary of income and expenditure (SoFA) for the year, irrespective of the year in which cash is received or paid	Summary of cash received or paid during the year, irrespective of the year to which the receipt or payment relates
Assets and liabilities	Balance sheet as at the year end with adjustments for accruals, prepayments, etc	Statement of assets and liabilities as at the year end
Notes	Required	Not required (unless CIO), but best practice?
Prior year comparatives	Required	Not required but best practice



# What do good receipts and payments accounts look like?

Cover sheet and contents page

Trustees' Annual Report

Independent examiner's report (if required)

Statement of receipts and payments

Statements of assets and liabilities

Notes (required - CIO / best practice - others)



# What do good receipts and payments accounts look like? (cont'd)

## Statement of receipts and payments

- ▶ Analysis of receipts
- ▶ Analysis of payments
- ▶ Net movement in funds
- ▶ Transfers between funds
- ▶ Surplus/Deficit for period
- ▶ Reconciliation of cash

### Statement of Receipts and Payments – For the Year Ended 31 December 2018

Receipts	Note	Unrestricted Funds	Restricted Funds	Total 2018	Total 2017
<b>Receipts</b>					
Voluntary Receipts					
Donations and Gift Aid		629	-	629	398
Grants	4	1,000	1,500	2,500	1,000
Legacy		150	-	150	-
Fund Raising		1,231	-	1,231	1,802
Bank Interest		147	-	147	231
Receipts from Charitable Activities					
Membership Fees		10,763	-	10,763	9,904
Summer Outing		1,478	-	1,478	1,577
		15,398	1,500	16,898	14,912
<b>Payments</b>					
Cost of Fund Raising					
Cost of Charitable Activities	5	14,457	-	14,457	13,942
Grants and Donations	6	100	-	100	100
Governance Costs	7	260	-	260	177
Purchase of Equipment		639	1,171	1,810	401
		15,845	1,171	17,016	14,827
<b>Surplus/(Deficit) for the year</b>		(447)	329	(118)	85
Transfers between funds	8	(171)	171	-	
<b>Surplus/(Deficit) for the year</b>		(618)	500	(118)	85

The Notes on pages 7 and 8 form an integral part of these accounts

The above statement excludes funds raised in behalf of other charities as shown in Note 9

\* Extract from OSCR example accounts: [glendale-after-school-club-scottish-charity-no-sc074551.pdf](https://www.oscr.gov.uk/example-accounts/glendale-after-school-club-scottish-charity-no-sc074551.pdf)



# What do good receipts and payments accounts look like? (cont'd)

## Statement of assets and liabilities

- ▶ Cash
- ▶ Other current assets
- ▶ Investments
- ▶ Fixed assets
- ▶ Liabilities
- ▶ Approval of the financial statements

### Statement of Balances – As at 31 December 2018

	Unrestricted	Restricted	Total	Total
<b>Funds Reconciliation</b>	<u>Funds</u>	<u>Funds</u>	<b>2018</b>	<b>2017</b>
Cash at Bank and In Hand - 31/12/2017	4,192	-	<b>4,192</b>	4,107
Surplus/(Deficit) for year	(618)	500	<b>(118)</b>	85
<b>Cash at Bank and In Hand - 31/12//2018</b>	<u>3,574</u>	<u>500</u>	<b>4,074</b>	<u>4,192</u>
<b>Bank and Cash Balances</b>				
Bank Deposit Account			<b>3,500</b>	3,000
Bank Current Account			<b>535</b>	1,148
Cash in Hand			<b>39</b>	44
			<u><b>4,074</b></u>	<u>4,192</u>
<b>Other Assets (Unrestricted Fund)</b>				
Play equipment (estimated value)			<b>750</b>	600
Wheelchairs (at cost)			<b>1,171</b>	-
Membership fees due			<b>110</b>	65
Gift Aid accrued on donations at year end			<b>101</b>	78
			<u><b>2,132</b></u>	<u>743</u>
<b>Liabilities (Unrestricted Fund)</b>				
Glendale Village Hall (for hall hire)			<u><b>307</b></u>	116

The Notes on pages 7 and 8 form an integral part of these accounts Approved by the trustees on 15 March 2019 and signed on their behalf by:

**Janice Brown**  
Chair

**Robin Campbell**  
Treasurer

\* Extract from OSCR example accounts: [glendale-after-school-club-scottish-charity-no-sc074551.pdf](#)



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# What do good receipts and payments accounts look like? (cont'd)

## Notes

- ▶ Basis of preparation (receipts and payments)
- ▶ Fund accounting (e.g. endowed, restricted, unrestricted, designated)
- ▶ Taxation (e.g. Corporation Tax, Income Tax, Capital Gains Tax, VAT)
- ▶ Transactions with trustees and related parties (even if £nil balance)
- ▶ Any required analysis of figures in main statements
- ▶ Movement in funds / transfers
- ▶ Purpose of funds
- ▶ Guarantees given (required for CIO)
- ▶ Security granted over charity's assets (required for CIO)
- ▶ Any other information which would be helpful for the user of the accounts



# Who can prepare receipts and payment accounts?



## Eligibility criteria

- ▶ Non-company charities registered in England and Wales must have gross income below £500,000 and not be required to prepare accruals accounts to use receipts and payments accounts. For non-company charities registered with OSCR and CCNI, the threshold is £250,000.

## Non-company unincorporated and CIO's

- ▶ CIO's, whilst incorporated with its own legal personality, are not incorporated under company law and can therefore opt for cash-based accounts.

## Governing document restrictions

- ▶ Charities must ensure their governing documents do not restrict the use of receipts and payments accounts before preparing them.

## Trustee agreement

- ▶ Trustees must agree that receipts and payments accounts are appropriate, emphasising governance and trustee judgement in the process.

## Eligibility vs useability

- ▶ Meeting eligibility criteria does not guarantee receipts and payments accounts are suitable, highlighting the need for careful trustee judgement. E.g. are accruals accounts required by a grant funder?



# When are receipts and payments accounts appropriate?

## Suitability for simpler charities

Receipts and payments accounts suit charities with:

- ▶ Activities that are straightforward and cash-driven
- ▶ Few long-term commitments or assets
- ▶ Trustees primarily focus on cash control
- ▶ Users do not require accruals-based information

## Limitations for complex charities

Receipts and payments accounts may be less appropriate for charities with:

- ▶ Significant assets or liabilities
- ▶ Long-term leases, loans or grant conditions
- ▶ External funders who may require accruals accounts



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# Advantages of receipts and payments accounts

## Simplicity in accounting

- ▶ Receipts and payments accounts offer a straightforward approach, making financial reporting easier and clearer for charities.

## Lower costs and compliance

- ▶ Using receipts and payments accounts reduces preparation and compliance costs by avoiding complex accounting rules under Charities SORP.

## Trustee understanding and engagement

- ▶ Receipt and payments accounts are easier for trustees to understand, promoting better engagement with financial information and governance.

## Enhanced governance

- ▶ Simplicity in financial reporting can strengthen governance by making financial data more accessible and meaningful.



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# Limitations and risks of receipts and payments accounts

## Limited financial position

- ▶ Receipts and payments accounts do not present the full financial position, omitting liabilities and commitments.

## Timing differences impact

- ▶ Timing differences in receipts and payments can distort year-on-year comparisons of financial results.

## Reliance on narrative reporting

- ▶ Due to these limitations, greater reliance is placed on narrative reporting and trustee understanding.

## Managing trustee and stakeholder expectations

- ▶ There may be potential information gaps for stakeholders.



# Key considerations for Trustees

## Assessing the charity needs

- ▶ Trustees must evaluate if the receipts and payments accounts align with their charity's specific requirements and objectives. Do they support good decision-making?

## Stakeholder comfort with reporting

- ▶ Consider whether stakeholders understand and accept cash-based reporting as part of transparent governance

## Maintaining transparency

- ▶ Trustees must ensure transparency and may need to add narratives or disclosures beyond the accounting framework

## Trustees' accountability

- ▶ Regardless of framework, trustees remain responsible for accounts quality and appropriateness



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# Transitioning from accruals to receipts and payments accounts



## Review governing document and obtain trustee approval

- ▶ Start by reviewing the governing document to confirm if the change in accounting method is permissible
- ▶ Secure formal approval from trustees to ensure the transition aligns with governance requirements

## Cash balance

- ▶ Understand the opening cash balance and reconcile this to bank statements and petty cash held

## Remove accrual balances

- ▶ Eliminate existing accrual-based balances to reflect the new receipts and payments accounting accurately: This will include accruals, prepayments, accrued income, deferred income and any other commitments
- ▶ Also consider the comparative information

## Communicate changes clearly

- ▶ Clearly explain the accounting method change to prevent confusion among account users



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# Best practice for receipts and payments accounts

## Clear categorisation

- ▶ Organise receipts and payments into clear categories to aid understanding and accuracy

## Explain significant movements

- ▶ Provide explanations for significant changes to enhance transparency and trustworthiness

## Disclosure of commitments and risks

- ▶ Disclose any commitments and risks to provide a complete financial picture

## Plain-language presentation

- ▶ Use clear, simple language to improve readability and accessibility for all readers

## Go beyond the minimum



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# Trustees' Annual Report (TAR)

## Importance of TAR

- ▶ The Trustees' Annual Report becomes vital when receipts and payments accounts are used to ensure enhanced transparency and clarity

## Clear explanation requirements

- ▶ TAR should clearly explain activities, objectives, use of funds, reserves, and key risks for effective reporting

## Context and transparency

- ▶ Providing narrative context in the TAR compensates for cash-based account limitations and supports accountability



# Compliance and filing requirements



## Independent examination

- ▶ The charity's accounts may need an independent examination if they meet the criteria

## Charity Commission Annual Return

- ▶ If income is greater than £10,000 or a Charitable Incorporated Organisation – CIO (regardless of income), an Annual Return must be filed

## Filing deadline

- ▶ As an unincorporated charity, you only need to file the accounts and Annual Return with the Charity Commission and have:
  - ▶ 10 months from the year end for the Charity Commission in E&W
  - ▶ 9 months from the year end for OSCR
  - ▶ 10 months from the year end for CCNI



# Key takeaways



## Proportionate alternative

- ▶ Receipts and payments accounts offer a proportionate alternative for some charities, providing suitable financial options

## Eligibility vs suitability

- ▶ Being eligible does not guarantee suitability; careful assessment is essential for decision-making

## Trustee decision making

- ▶ Trustee decision-making and disclosure are critical to ensure accountability and transparency in charities

## Transition

- ▶ Any transition requires planning and clear disclosures

## Going beyond

- ▶ The core value of charity accounting is to ensure transparency and maintain public trust. Going beyond with additional disclosures may still be considered best practice. Whilst the accounts do not follow the SORP, there are some useful disclosures which could be adopted.



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# Useful resources

## Charity Commission in England and Wales

- ▶ Receipts and payments accounts pack (CC16): [Receipts and payments accounts pack \(CC16\) - GOV.UK](#)
- ▶ Prepare a charity trustees' annual report: [Prepare a charity trustees' annual report - GOV.UK](#)
- ▶ Independent examination of charity accounts: Examiners (CC32): [Independent examination of charity accounts: examiners \(CC32\) - GOV.UK](#)
- ▶ Annual return: [Send a charity's annual return - GOV.UK](#)

## Office of the Scottish Charity Regulator (OSCR)

- ▶ Receipts and payments accounts: [OSCR | Receipts & payments accounts](#)
- ▶ Receipts and payments accounts work pack: [OSCR | Receipts & payments accounts work pack](#)
- ▶ Independent examination: A guide for Independent Examiners: [OSCR | Independent Examination: A Guide for Independent Examiners](#)

## Charity Commission for Northern Ireland

- ▶ Receipts and payments accounts for smaller charities (ARR03): [20190703-arr03-receipts-and-payments-accounts-v30.pdf](#)
- ▶ Other guidance: [A to Z of Commission guidance | CCNI](#)



# Thank you!

**John Howard**

Partner – Head of Charities and Not for Profit

Email: [john.howard@azets.co.uk](mailto:john.howard@azets.co.uk)

**Siobhan Holmes**

Partner – Charities and Not for Profit

Email: [siobhan.holmes@azets.co.uk](mailto:siobhan.holmes@azets.co.uk)