

THE 2026 PORTFOLIO CONTROL SPECIFICATION — Article Four

Restricted Fund Transfers Under SORP 2026: What Finance Directors Need to Justify a Legacy Contract Move

*A mission is defined by the doors an organisation opens, not the boxes it checks.
We believe the burden of proof should never become the burden of the mission.*

The Transfer That Requires More Than an Accounting Entry

SORP 2026 requires that transfers of restricted funds are supported by robust justification. For Finance Directors managing legacy contracts where the original fund purpose no longer matches the delivery reality, that requirement creates a specific and demanding evidential obligation. The accounting entry that moves the fund is the easy part. The justification that supports it is where the evidential burden sits.

A legacy contract is a contract whose original scope, purpose, or delivery model has evolved over time in ways that the original funding agreement did not anticipate. The restricted fund attached to that contract was established to support a specific purpose at a specific time. When the delivery reality has changed, the Finance Director faces the task of explaining to auditors, trustees, and in some cases funders, why the fund needs to move and what the evidential basis for that movement is.

SORP 2026 does not simply require that the justification exists. It requires that it is robust. A robust justification is one that is supported by a continuous operational record of how the contract has been managed throughout its life, where the delivery reality has diverged from the original purpose, and why the transfer is the appropriate response to that divergence rather than a variation of the original fund terms.

What a Robust Justification Requires

A robust justification for a restricted fund transfer under SORP 2026 has three components that must all be present and evidenced before the transfer can be made with confidence.

The first component is a continuous record of how the restricted fund has been managed since it was established. That record must show the budget versus actual position of the fund at every reporting period, the evidence of delivery against the original purpose at each stage of the contract, and the point at which the delivery reality began to diverge from the fund purpose. A Finance Director who holds a monthly control record of the fund's position throughout its life is able to produce this component immediately. A Finance Director who must reconstruct it from historical accounts and programme records is producing a retrospective account that SORP 2026 auditors will examine carefully.

The second component is a documented account of why the original fund terms can no longer be met in the way they were originally structured. This requires evidence of the operational change that has driven the divergence, whether that is a change in the commissioner's requirements, a change in the delivery model, or a change in the population the service is designed to reach. The operational record of the contract provides this evidence when it has been maintained continuously, because it documents the delivery position at every reporting period and shows the point at which the divergence became material.

The third component is a clear statement of the proposed transfer destination and the evidential basis for the claim that the new purpose is consistent with the donor's or funder's original intent. This is the governance dimension of the transfer and it requires the Finance Director to work closely with trustees and in some cases with the original funder to establish that the transfer is appropriate. The continuous operational record supports this conversation because it gives the trustee and funder a complete account of how the fund has been used to date and why the transfer is the right response to the delivery reality.

How the Operational Record Makes the Case

SORP 2026 requires robust justification for moving restricted funds, and that justification is an evidential discipline as much as an accounting one. The Finance Director who holds a continuous operational record of how the legacy contract has been managed, where the delivery reality has evolved from the original fund purpose, and what the evidential basis for the transfer is, presents the case to auditors and trustees with documented confidence.

The continuous operational record is the robust justification SORP 2026 requires. It exists already, produced month by month as a matter of operational discipline, and it provides the complete evidential basis for the Finance Director's case to auditors, trustees, and funders at the point the transfer is made rather than in response to the scrutiny that follows it.

Finance Directors who do not hold this record face the SORP 2026 transfer requirement as an act of reconstruction. They must locate the historical financial data, gather the programme evidence, and assemble an account of the fund's management from across the organisation before they can make the case for the transfer. That account reflects what the organisation believes happened rather than what was documented as it happened, and it arrives at the auditor's desk in a form that experienced auditors will examine with a level of scrutiny that a contemporaneous record does not attract.

The restricted fund transfer is one of the most evidentially demanding actions a Finance Director can take under SORP 2026. The operational record that makes it straightforward is the same record that makes every other dimension of restricted fund management cleaner, faster, and more defensible throughout the year.

Binder & Bow is an operations firm that maintains the operational record of complex contract portfolios.

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