

# Charities SORP Committee Minutes

Date	09 August 2017	
Venue	Conference Call	
Joint Chair	Laura Anderson Nigel Davies	<i>OSCR Charity Commission for England and Wales</i>
Members present	Richard Bray Michael Brougham Mark Hill Kenneth McDowell Sheila Nordon Carol Rudge Joe Saxton Jenny Simpson Darren Spivey Mark Spofforth	<i>Cancer Research UK ACIE Regeneris Limited Saffery Champness Charities Institute Ireland Grant Thornton nfpSynergy Wylie + Bissett LLP Royal National Lifeboat Institution Kreston Reeves LLP</i>
In attendance	Mei Ashelford Alison Scott Easton Bilsborough James Brooke Turner	<i>FRC CIPFA, Secretariat to the SORP Committee CIPFA, Secretariat to the SORP Committee ACF Observer, The Nuffield Foundation</i>
Apologies	Sarah Anderson Caron Bradshaw Tom Connaughton Pat Dennigan Pesh Framjee  Noel Hyndman Simon Ling Tom Malone John Tracey	<i>Deloitte LLP CFG The Rehab Group Focus Ireland Crowe Clark Whitehill, Technical Advisor to CIPFA Secretariat Queen's University Belfast National Association of Almshouses Charity Regulatory Authority Charity Commission Northern Ireland</i>

## Action

- 1 Welcome, apologies for absences, confirmation of participants and declarations of interest**
  - 1.1 The Chair welcomed members and observers to the call.
  - 1.2 Those apologies for absence received were noted and the members present on the call were confirmed
  - 1.3 He asked if there were any declarations of interest to be made. No declarations of interest were noted.

## **2 Approval of the minutes of the meeting of 29 June 2017 and matters arising**

- 2.1 The draft minutes of the previous Committee meeting were approved subject to an amendment at paragraph 4.32. It was confirmed that the discussion around the possible expansion of the introductory section of the Charities SORP was in reference to those entities which, while they do meet the definition of a public benefit entity, do not have charitable status and yet wish to apply the Charities SORP voluntarily.
- 2.2 The Chair informed the Committee of the Chairs' discussion of three items regarding the process and administration of the Committee.
- 2.3 Following the discussion of the style of minutes at the previous Committee meeting, the Chair explained that minutes would be anonymised going forward. He noted that, in order to maintain consistency between the meetings when the analysis of the Research Exercise responses was discussed, the minutes of the June meeting would retain the style previously used.
- 2.4 The Chair went on to discuss the importance of Committee proceedings taking place in confidence. He explained that any public discussion about the Committee's future activities may prejudice the outcome of its work and detract from its current output. He asked that where a member wishes to comment on the future work of the Committee, these communications are shared with the Chairs in advance.
- 2.5 The Chair finally commented on the use of all Committee emails as a method of debate outside of Committee meetings. He explained that the Chairs considered the debate and discussions which take place within these meetings to be preferred wherever possible over email or via conference call. He asked that members who wish to bring an issue to the attention of the Committee should send a note of the issue to the Secretariat. If appropriate the issue will then be either circulated to the Committee by the Secretariat, or shared with the Chairs and included on the agenda of future meetings where appropriate.
- 2.6 The Chair reminded members that any issues or suggestions for possible agenda items for meetings can come from both the Chairs and Committee members. Members wishing to include a particular item on the agenda of future meetings should send these to the Secretariat.
- 2.7 It was agreed to come back to these items at the next Committee meeting to allow an opportunity for them to be discussed face-to-face.

## **3 Update from the FRC**

- 3.1 The FRC representative provided an update on the development of UK accounting standards.
- 3.2 She first explained that following the deadline at the end of June for comments on FRED 67, the FRC are now analysing the responses received and identifying the best way forward for those issues raised by respondents. She reported that the FRC expected to issue final amendments by the end of the year, with revised editions of all the standards to follow in January 2018. She noted that there had been general support for the proposed amendments and the approach of introducing incremental improvements to FRS 102 at this stage.
- 3.3 She then gave an update on the progress around the solution to the accounting treatment of the payment of Gift Aid by a wholly owned trading subsidiary to its charitable parent. She explained that the FRC continue to work to identify a solution which is acceptable to those committees involved. She noted that progress had been constrained as a result of the summer holiday period.

#### **4 Overview of SORP-making body's Work Plan 2017-18 (Paper 2)**

- 4.1 CIPFA Secretariat gave an overview of the paper which outlined the steps involved for issuing an Update Bulletin for changes to FRS 102 and the proposed preparatory work for a revised edition of the SORP. He thanked the FRC for their assistance in developing the paper and ensuring that the processes and proposed timings detailed in the paper were in line with FRC policy and the FRC's own work plan.

##### *Update Bulletin 2*

- 4.2 CIPFA Secretariat drew the Committee's attention to paragraphs 3.4. He explained that as the Update Bulletin would be limited to only those changes arising from FRS 102, the amount of Committee time needed to review and discuss the proposed changes would be minimal. Therefore it was proposed to cancel the Committee meetings scheduled for September, November and December 2017.
- 4.3 The Committee agreed with the proposed change to the meeting schedule. It was noted that the next meeting of the Committee would take place in October 2017.
- 4.4 CIPFA Secretariat drew the Committee's attention to paragraph 3.5. He noted that it is expected that the majority of charities will wait until the publication of Update Bulletin 2 to apply the changes to FRS 102. As a result the Work Plan aims for Update Bulletin 2 to be finalised as quickly as possible so the changes can be applied by charities at the earliest opportunity. He explained that the finalisation of the Update Bulletin could be expedited by reducing the length of the period of public consultation on the bulletin draft. Therefore it was proposed to request permission from the FRC to shorten the consultation period from twelve to six weeks.
- 4.5 The Committee discussed the proposal. It was acknowledged that the six-week period would offer stakeholders a shorter period to comment on the proposed changes to the SORP. One member felt that the planned launch of the consultation in April 2018 was also in danger of clashing with a busy period for preparers, auditors and examiners of charity accounts.
- 4.6 The Chair noted that the consultation would not be looking at any changes to the narrative reporting requirements for charities and the proposed changes would be non-negotiable given that the SORP must be updated for changes to FRS 102. Therefore he felt that the consultation would attract the attention of a more focused group of stakeholders that have interests in the technical aspects of charity reporting irrespective of the length of the public consultation period.
- 4.7 The Committee agreed that in order to encourage a strong level of engagement around the planned changes, advance notice would be given to key groups of stakeholders of the joint SORP-making body's intention to issue the draft Update Bulletin and accompanying consultation. It was felt that the number of responses to the consultation could be increased by giving advance notice to these groups.

##### *Revised Edition of the SORP*

- 4.8 CIPFA Secretariat outlined the proposed timings for the revised edition of the SORP which would coincide with significant amendments to UK and Irish GAAP for changes in IFRS. He noted the current uncertainty which exists around the timing of these significant amendments to UK and Irish GAAP which could potentially result in the revised SORP being deferred until a later date.
- 4.9 The Chair observed that the need to update the SORP for a changing charitable sector had to be balanced with the costs and time involved for charities to

become familiar with a revised framework. He felt that the work plan achieved this balance. He noted that proposed effective date of 1 January 2022 would re-establish the pattern of updating the SORP around once every five years. As SORP (FRS 102) was mandatory for all charities for reporting periods starting on or after 1 January 2016, by 2022 the sector will have had over five years to experience and familiarise themselves with this framework.

- 4.10 The Committee agreed with the proposal to commence the drafting process for the revised SORP following the finalisation of Update Bulletin 2 in quarter three of 2018. It was also agreed for the three Working Groups to convene following the Committee's October 2017 meeting, where the scope and the groups' terms of reference would be discussed. The groups would focus on a selection of areas identified by the 2016 Research Exercise and present findings in the first half of 2018.
- 4.11 A member raised the possibility of establishing an additional Working Group to focus on possible future amendments to GAAP as a result of significant changes in IFRS. They noted these changes will impact charities if and when they are incorporated into FRS 102.
- 4.12 The Chair observed that these changes will be framed by the FRC's thinking and work plan for the development of UK and Irish GAAP. Given that the extent and nature of these changes and work plan is currently not known, he believed it was currently too early to spend time considering their effect on the SORP. He felt that the Committee would be in a better position to discuss this area when more is known about the proposed changes and the FRC's timeframe for amending FRS 102. The FRC representative noted that all SORP-making bodies will be given notice in advance of any changes and the opportunity to consider how they will impact their sector or industry.
- 4.13 The Work Plan and development of the SORP was discussed in relation to developments in international not-for-profit reporting. It was suggested that the future plans of the joint SORP-making body could be shared with those standard setting bodies that have an interest in international accounting standards for the not-for-profit sector. CIPFA Secretariat informed the Committee of CIPFA's involvement in this area and the forthcoming meeting of the International Forum of Accounting Standard Setters (IFASS) in September when this topic would be discussed. It was agreed that a paper would be prepared to brief the Committee on progress in this area for the Committee's October meeting.
- 4.14 The Chair noted that whilst there was a growing interest in the prospect of an international accounting framework for not-for-profit entities, he reminded the Committee that the Charities SORP is an interpretation of UK GAAP. He explained that the thinking and ideas of the joint SORP-making body remains guided by the FRC and their development of financial reporting standards based on IFRS.

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## **5 Any other business and dates for next meetings**

- 5.1 The Chair asked the Committee if there was any other business they would like to raise.
- 5.2 A member reported that the current [consultation](#) on the revised version of Practice Note 11: *The audit of charities in the United Kingdom* (PN 11) includes a number of references to the Charities SORP (FRS 102). They had observed a number of references to the previous version of the SORP within the exposure draft which they believed should be updated to reflect the current framework.
- 5.3 The Chair explained that the standards for auditors and any associated guidance does not fall within the remit of the Charities SORP-making body, which looks only at the application of accounting standards. It was noted that a response to the consultation would not be made by the joint SORP-making body and any

perceived inaccuracies within the exposure draft version should be communicated directly to the FRC.

- 5.4 The date of the next meeting was confirmed as Wednesday 25 October 2017 and would take place at CIPFA's London office.
- 5.5 CIPFA Secretariat will canvas the Committee for 2018 meetings dates.
- 5.6 There was no other business and the meeting was closed.

**CIPFA**