

SORP- reflection and problem solving – conclusions to date

1 Overview of the conclusions paper

- 1.1 The purpose of this paper is to look back at the discussion of the feedback on the 15 topics selected for review and to draw out the conclusions to inform the discussion of the drafting process.
- 1.2 The paper distinguishes the tentative conclusions that have direct implications for firstly, editing the text of the SORP and secondly, those suggestions as to creating other forms of assistance to preparers of the trustees' annual report and the accounts. This distinction is used to frame the recommendations in respect of the sequencing of the work in the drafting process.
- 1.3 The Committee may recall that the topics were chosen from the many ideas put forward from the 'exploration' stage by the SORP engagement strands. The SORP Committee reviewed the feedback over two meetings in February 2021, firstly from the vantage point of the reader/ user of the trustees' annual report and accounts, and secondly from that of the preparer.
- 1.4 Out of the pool of ideas submitted by the engagement strands, 15 topics were agreed at the March 2021 meeting as priorities for review and discussion. The two subsequent stages in the SORP development process – reflection and problem solving - were then taken together to further explore each of the 15 topics. Feedback received from the engagement strands on each topic supported Committee discussion with the view to sense checking the existing approach taken by the SORP and, where needed, developing solutions, or identifying changes, to the SORP to address them.
- 1.5 The stance taken through the process has been that if justified by a need, then change should occur to the SORP to address that need; if a case is not made then the current approach in the SORP is to be left unchanged. The SORP-making body does not wish this stance to be viewed as inferring a presumption that the current SORP is perfect in all respects, rather it is reflective of our understanding of practitioners' views on the impact of changing the SORP.
- 1.6 The consistent feedback throughout the history of the SORP process has been that having stability in the reporting and accounting requirements helps charities by minimising the costs of change and also that the familiarity which stability brings enhances quality as preparers become conversant with, and develop solutions for, the SORP's requirements. (For illustrative evidence on this point refer to section 2 of the Queens University report: 'Charity reporting and accounting - taking stock 2009'.)

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- 1.7 Of the 15 topics, two have yet to be discussed by the SORP Committee: activity reporting and sustainability reporting. The recommendation is therefore made that this paper is updated once these discussions have taken place. It is also noted that all conclusions are tentative until the combined reflection and problem solving stage is complete and the SORP Committee can view the overall outcome.
- 1.8 The discussion of tiering was not itself a review topic but one of two broad areas on which views were canvassed at the start of the combined reflection and problem solving stage. Since tiering was not one of the 15 topics for review it is not included and so a further recommendation is made to settle the approach to tiering requirements in the drafting process.

2 The tentative conclusions reached on the topics reviewed

- 2.1 The topics are listed in the order in which the feedback from the engagement strands was debated in Committee. The table draws on the published (or in one instance the draft) minutes of the applicable meeting. Comments that are observations (*bracketed and in italic font*) of the SORP-making body are intended to complement the Committee's analysis. These observations include references to the two submissions made to the FRC's periodic review of FRS102.
- 2.2 In terms of possible changes to the SORP, we agreed to look at:
- the reporting of reserves
 - the link between the report and accounts, and the way the module is written so it can be better followed by trustees (module 1),
 - greater latitude in laying out the SoFA (module 4),
 - greater simplification of the notes (all modules but suggest limited scope of latitude to apply section 1A of FRS 102 is not forthcoming),
 - mandating the designation (if not restricted) of unrestricted tangible fixed assets (module 10),
 - improving text and narrowing options for recognising legacies (module 5),
 - changing approach to recognition of certain gifted goods and services (module 6),
 - reframing impact reporting requirement (module 1),

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- highlighting the option of natural categories with an example SoFA (module 4).

In respect of fund accounting topic (module 2) the discussion was inconclusive as to whether a change to the SORP was required.

2.3 With regard to additional advice and guidance outside of the SORP, a wealth of suggestions were made with respect to the following topics:

- reporting reserves
- grant accounting in regard to both income and expenditure recognition,
- materiality
- donated goods and services
- income recognition
- impact reporting
- funds note
- illustration of ‘natural categories’ and
- better linking the story of the report and accounts in respect of expenditure.

| Topic (date reviewed) | Tentative conclusions reached | Implications for the text | Other forms of assistance |
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| Reserves reporting (8 July 2021) | There was general support within the Committee to reinstate the former 2005 definition within the glossary. Guidance that might help all stakeholders understand what reserves represent may be useful. There is a consensus that the numbers for free reserves used within the trustees’ annual report should link clearly to the figures within the accounts. | Reinstate a definition of reserves. | Consider separate guidance on reserves and what they mean <i>(note regulators and</i> |

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| | <p>The Committee agreed that the information on reserves in the trustees' annual report needed to agree with the information in the accounts (otherwise an appropriate explanation/reconciliation should be provided either in the notes or within the balance sheet). (Subject to a caveat agreed:)</p> <ul style="list-style-type: none"> • Agree to linking the explanation of the reserves figure(s) in the trustees' annual report to the accounts (also see sections 3 and 4 of the report). • Agree to having financial sustainability focus for reporting reserves with common reporting requirements for all tiers of charity reporting under the SORP with the detail settled in the drafting stage. • Agree to simplifying, wherever possible, the terminology used in defining reserves and reporting on reserves <p>Caveat: with the caveat about how financial sustainability should be expressed and that this should include commentaries on other resources such as credit available and cash held.</p> <p>The view held by the Committee was that it was difficult to separately present reserve amounts on the face of the balance sheet. Commentaries also included that charities were already free to separately present this information on the face of the balance sheet and take their own decision on how they might consider reserves would be best presented, for example, offering a split between designated and general</p> | <p>Require any number quoted in the report to be referenced to an explanatory note in the accounts.</p> <p>Link the discussion of reserves more explicitly to the conclusion that the charity is a going concern or not.</p> | <p><i>other bodies already provide this so signposting might be better)</i></p> |

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| | <p>funds. There was broad agreement that achieving an effective presentation of reserves would be best offered in the notes. In summary, the Committee did not support a new statement. The Committee would therefore prefer that any presentation of reserves is provided as demonstrated within a note to the financial statements.</p> <p>There is a lack of understanding as to what reserves are. The Committee considered that it needed to be mindful that there are limitations as to what the SORP can achieve in this area. The Committee decided not to recommend that there should be additional reporting requirements and no additional amounts reported in the trustees' annual report. However, if a number is used in the trustees' annual report on reserves a clear explanation should be provided for how it was estimated.</p> <p>The Committee made the following comments:</p> <ul style="list-style-type: none"> • the SORP already signposts other sources this can be used provided that the signposting and other resources are consistent with FRC Policy on the Development of SORPs, • it supported the use of flow charts in this area • it was of the view that examples should not be included in the SORP, but other forms of guidance would be more relevant/useful. <p>It was agreed that the reporting basis (ie a going concern basis of reporting) was a clear distinction for the reporting of reserves and was key to its understanding.</p> | <p>Review terminology used in the SORP.</p> <p>Develop a reserves note</p> <p>Incorporate a flow chart in the explanation in the SORP on defining reserves.</p> | <p>Look to signpost to other sources of advice on reserves reporting.</p> <p>Produce some model examples on defining and showing reserves.</p> |

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| Summary (key) facts (8 July 2021) | <p>The Committee was of the view that the case for change had not been made. Such proposals were ‘fraught with difficulties’, particularly deciding what would be reported in a Summary Financial Information/Key Facts Page. Charities are so diverse that it is hard to say what is key to one would be key to another.</p> <p>It was agreed that there is no case for change based on the feedback from the engagement stands, but there may be the case to improve the instructions in the SORP to assist with the interpretation for the layperson and to simplify how some of the information is presented. Although it might be the case that such change should emanate from effective reporting in the trustees’ annual report. Perhaps encouragement to improve presentation should be included in the SORP rather than the introduction of additional reporting requirements. Trustees need to be able to use the SORP, primarily it is aimed at those readers who understand accounting concepts and terminology, except Module 1 that is aimed at trustees. Perhaps the Committee could consider making recommendations for drafting that part of the SORP and aim it at trustees with less financial reporting experience and highlighting the need to present summary financial information and key facts in the trustees’ annual report in such a way that it is easily accessible to the users of the accounts.</p> <p>The Committee noted that this information is already covered</p> | <p>Look to strengthen the text in module 1 to focus the preparer more explicitly on the layperson so that the preparer simplifies how some of the information is presented.</p> <p>Ensure styling of module 1 is accessible to trustees.</p> | <p><i>(Consider publication of module 1 in a format more accessible to trustees as an audience rather than as part of the full SORP)</i></p> |

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| | <p>in the trustees' annual report. From a funders' perspective, the key facts page will not help them make economic decisions.</p> <p>The Committee considered who this information was aimed at. It expressed the view that it was aimed at people like journalists who wish to use it, but concerns were raised that such information may be used out of context.</p> | | |
| <p>Presentation of the SoFA (4 August 2021)</p> | <p>Committee members commented on matters around consistency of presentation as follows:</p> <ul style="list-style-type: none"> • In their discussions, funders had focussed on consistency and the importance of being able to compare one year to the next. The merits of changing the order of presentation of the SoFA had not been the focus of discussions. • Feedback from engagement strands indicated that their members were comfortable with the current, familiar presentation and were concerned that any new presentation would potentially increase complexity. The potential benefits of an upside-down SoFA in terms of improving financial governance had perhaps been overtaken by concern about the impact of making a change. • For charities that are also companies, there are further potential complexities due to the need to adhere to company law as well as the SORP. <p>The Chair drew the discussion to a close with a tentative conclusion that an upside-down SoFA would not be introduced, noting a minority view that flexibility could be</p> | <p>Retain current headings and analysis (<i>subject to later discussion on activity reporting</i>)</p> <p>Consider allowing an option to change the sequencing of income and expenditure in the</p> | - |

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| | <p>helpful to some. An option to allow flexibility could be considered at drafting stage, however, it was noted that options can increase complexity and therefore may not be the preferred route.</p> <p>The Chair closed the discussion with the tentative conclusion that it would be preferable for charities to be able to show comparative information either in the notes to the accounts or on the face of the SoFA. There is a need to think of the users of the accounts, including consideration of where the comparative information should be located to be of most use to the users of the accounts.</p> <p>There was broad consensus that there was no need to change descriptions. A sense check of the descriptions of income and (especially) expenditure may be useful. However, there was general agreement that, for reasons of consistency over time, the SORP should retain the current approach. There is not sufficient evidence that a new approach is needed.</p> <p>The Chair therefore expressed a tentative view that the SORP Committee would support steps to ensure natural classification is more obvious within the SORP and easier for charities to choose. Consideration as to setting out the natural classification format would be given but it was not considered necessary to mandate the use of natural classification at the present time.</p> | <p>SoFA. (<i>Subject to FRC response to this point made in the first submission</i>)</p> <p>Retain current requirement for SoFA comparatives but offer option by way of note.</p> <p>Retain the 'natural' classification option. (<i>Note the November 2021 research making a case for mandating the format.</i>)</p> | |

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| Notes to the accounts (4 August 2021) | <p>Several Committee members agreed that simplification of the notes would be beneficial; decluttering would be beneficial from both a user and an accounts preparer point of view. This could be considered module-by-module at the drafting stage. Feedback from the engagement strands as presented in Paper 3 was echoed by feedback from the Small Charities and Independent Examiners Engagement Strand, which supported simplification for smaller charities, in particular with respect to financial instruments and pensions.</p> <p>As users of accounts when making funding decisions, funders need information about the going concern status and governance arrangements in a charity to help inform the funders on the security of any grants. As preparers of their own charity accounts, funders understand the importance of transparency in disclosures. Such transparency allows an applicant for funding to perform due diligence on funders to ensure that funds are being sought from a source that does not run contrary to the applicant's charitable aims.</p> <p>Decluttering was considered to be appropriate, but it was emphasised that transparency should be retained.</p> <p>If decisions are to be taken on retaining information in the notes for the purpose of transparency, a working definition of "transparency" would be required.</p> <p>It was noted that the SORP could make it clearer that disclosures may not be required for immaterial items.</p> <p>The Chair offered tentative conclusions as follows:</p> | <p>Look to simplify requirements for smaller charities wherever possible. <i>(Subject to FRC's response to the first submission made in respect of the application of Section 1A and simplification to the pensions note.)</i></p> <p>Develop a definition of 'transparency' as a criterion for editing the text.</p> <p>Evaluate practicality of weblinks in accounts. <i>(Evaluate</i></p> | - |

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| | <ul style="list-style-type: none"> • At drafting stage, the option to allow weblinks in place of inclusion of information in the notes to the accounts can be revisited. • It is unlikely to be possible to direct users of the accounts to the SORP to establish common accounting policies as users are unlikely to access the SORP itself and the SORP is designed with preparers in mind. However, the SORP-making body will consider the other solutions suggested. • Subject to the outcome of the FRC's periodic review of FRS102, consideration can be given to removing some notes for smaller charities, although decision-useful information cannot be removed from the notes. | <p><i>experience of the current SORP allowing weblinks for grant disclosures.)</i></p> <p>Consider greater use of numerical definitions of materiality to ease the burden or reporting.</p> | |
| Grant accounting (9 September 2021) | <p>The SORP could helpfully provide more guidance on grant conditions, as this is an area that can be problematic in practice.</p> <p>One Committee Member noted the need for education, as users of the accounts may be inappropriately applying the same thinking adopted in the context of corporate accounts to the interpretation of charitable accounts. The Secretariat noted that there are similar issues in local government accounting, for which guidance is available. This guidance could be used to supplement the existing guidance in the SORP if that is helpful.</p> <p>Reflecting on the discussion, the Chair concluded that, with respect to income from capital grants, there was support for mandating the use of a designated fund, noting the need to</p> | | <p>Guidance outside the SORP <i>(to users about the nature of grant accounting and how grant income and expenditure is treated.)</i></p> |

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| | <p>be mindful of practicalities and unintended consequences. Following confirmation with Committee Members, the Chair concluded that the SORP Committee agreed that the preferred change to the SORP would be to mandate the creation of a separate designated fund for income from capital grants, with separate presentation on the face of the financial statements and not progress with the accruals model.</p> <p>Worked examples may help charities make judgements with respect to the existence of conditions in a grant. A Committee Member cautioned that there must be clarity on the status of information sheets. In summary, the Chair noted support for additional guidance sheets and worked examples, commenting that the status of such sheets and examples should be clear.</p> <p>On accounting for grant making, the Chair noted that charities may be misunderstanding the current content of the SORP. This could be reflected on at drafting stage, and in the provision of additional educational material.</p> | <p>Mandate the creation of a separate designated fund for income from capital grants, with separate presentation on the face of the financial statements.</p> <p>Sense check the current text.</p> | <p>Consider worked examples of grant scenarios to assist preparers.</p> |
| Accounting for legacies (9 September 2021) | <p>It was noted that the requirement to “control” the rights or other access to the economic benefits associated with a legacy can be problematic. This can lead to charities recording income from legacies before they can draw on the legacy. It was noted that the Trustees’ Annual Report could clarify issues around legacies being accounted for before the resources have been received.</p> | <p>Add a flowchart in</p> | - |

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| | <ul style="list-style-type: none"> • Events post year-end can create difficulties as it requires judgement to determine whether such events are adjusting or non-adjusting. One committee member suggested that inclusion of flowcharts in the SORP would be helpful in this respect, and more broadly, when supporting non-accounting specialists in accounting for legacies. • Use of “normally” (e.g. in SORP paragraph 5.31 “Receipt of a legacy must be recognised when it is probable that it will be received. Receipt is normally probable when ...”) was highlighted by one Committee Member as creating ambiguity. The Committee Member suggested removal of “normally” would create greater clarity. • A Committee Member highlighted that some charities would account for legacies on a case-by-case basis while some (likely to be larger charities) will take a pipeline approach. Any additional guidance will need to take account of both methods. <p>Referring to the three issues highlighted in Paper 2, the Chair noted that:</p> <ul style="list-style-type: none"> • the size of a legacy in the context of the charity is more important than the size of the charity itself, • there is support for additional guidance in the SORP, for example flowcharts to support decision-making, • there is some ambiguity created in the SORP that could helpfully be removed with tighter drafting, and • additional disclosure and/or commentary in the Trustees’ Annual Report may better allow a charity to help | <p>respect of handling post year end notifications.</p> <p>Look to narrow the options for recognition. <i>(Where FRS102 offers options, a SORP can restrict which option(s) can be used.)</i></p> <p><i>(Note a presentation to November 2021 research meeting included suggested new text on legacies and an offer to assist with the drafting.)</i></p> <p>Revisit the disclosure of legacies as a specific item in</p> | |

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| | <p>users of the annual report and accounts in understanding the income received from legacies. However, balance is needed to avoid creating an unwieldy annual report. This matter can be reflected on again at drafting stage when it is possible to think about the Trustees' Annual Report in totality.</p> <ul style="list-style-type: none"> The matter of contentious legacies can be returned to at drafting stage | <p>financial review section of module 1</p> <p>Consider whether SORP needs extra text to address contentious legacies (<i>in the context of recognition and provisions and contingent liabilities</i>).</p> | |
| Materiality (9 September 2021) | <p>In summary, the Chair concluded that there was not a consensus for asking the FRC to make changes to FRS 102 with respect to materiality, therefore no such changes would be sought.</p> <p>The consensus was to retain the current content of the SORP with respect to materiality and to focus on educational materials and improving awareness.</p> | - | Develop advisory materials to improve understanding of materiality in accounts preparation |
| Donated goods and services (28) | The Chair closed the discussion of treatment of donated goods and services for resale by concluding that the SORP Committee supports recognition on resale for items below a threshold value, while requiring recognition on receipt for | Selective changes, subject to adherence to FRS102. | |

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| September 2021) | <p>items above this value.</p> <p>Parallels could be drawn to volunteer time. A Committee Member reflected on the substance of goods donated for onward distribution, noting that the goods are not a valuable resource to the charity. Rather, the charity acts as a conduit for the donated goods. The Committee Member agreed that goods donated for onward distribution should be discussed in the Trustees' Annual Report rather than valued and recorded as income in the SoFA.</p> <p>The Chair commented that the description of charities as 'conduits' of goods donated for onward distribution was helpful. The description helps to clarify the substance of the transactions. The charities would not look acquire such goods for distribution; rather the charities are seeking donations of goods themselves. In this way, the substance differs between charities and for-profit entities in receipt of donated goods. It was thought reasonable that this value could already be nil in situations where the charity would not otherwise buy the services/facilities and it could be clearly demonstrated that this was the case.</p> <p>Rather, it was agreed that additional clarity within the SORP on application would address the issues discussed. This would be revisited at drafting stage.</p> <p>Concluded that the SORP should remain unchanged with respect to donated fixed assets.</p> <p>The engagement strands did provide feedback in support of disclosing information about the number of volunteers in an</p> | <p><i>(Note second submission to FRC looked to change in specific contexts - the accounting for gifted goods for onward supply and gifted services for a charity's own use.)</i></p> | |

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| | <p>organisation. The SORP Committee agreed with this feedback.</p> <p>The engagement strand feedback included several requests for additional examples and information sheets to help charities better apply the SORP requirements for donated goods and services.</p> | | <p>Additional examples and guidance to help with recognition and disclosure.</p> |
| <p>Income recognition (22 October 2021)</p> | <p>There was consensus that the principles in the SORP are already sound and there is no need for major changes to the SORP.</p> <p>Committee Members identified the need for additional guidance, commenting as follows:</p> <ul style="list-style-type: none"> • It was indicated that additional guidance on grant funding would be useful. • Better guidance would be useful for charities in Ireland, where there are issues with funders as a result of language used in grants. • Guidance would be helpful for transactions where there is payment by results. For example, a charity that supports people into employment may receive additional funding if people are still employed after an agreed time has passed. Guidance would help to clarify how income from payment by results schemes should be recognised. • Examples would support charities when recognising pledges and claims for gift aid. The SORP could indicate when entitlement criteria would be met and include examples to illustrate this. There was support for the possibility of additional guidance for pledges. | | <p>Additional guidance and examples.</p> |

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| | <p>The Chair expressed sympathy where late notification arises such that the funds cannot be realistically spent and so consideration could be given to looking again at the approach to budget years set out in the SORP (paragraph 5.22). Additionally, discounting and materiality had been discussed. The Secretariat noted a number of examples of particulars had been provided, for example on membership income and theatre tax relief.</p> <p>The issue of profits from trading subsidiaries- not easy to define what a legal obligation looks like in a distribution. It may be possible to identify emerging practice, ensuring that this cannot be construed as legal advice. This could be a helpful way to provide guidance on distributions.</p> <p>Provide more guidance to cover income recognition and when it is appropriate for income recognition to be deferred.</p> <p>Consider bringing discounting of contract income more explicitly in line with the rest of the SORP.</p> | | <p>Additional guidance or examples</p> <p><i>Signpost emerging best practice</i></p> <p>Advice and examples on deferring income</p> |
| Impact reporting (22 October 2021) | <p>Committee members:</p> <ul style="list-style-type: none"> • were supportive of a change in language to emphasise what the charity has done and the difference it has made, as this will mean more to Trustees • were keen to keep language simple and to express the requirements in a way that discourages 'boilerplate reporting' • the tentative view that reporting on the difference made be asked of all charities • suggested that the reporting requirements needed to structure the charity's 'story' with: | <p>Change the approach to an open question addressed to all charities to report on the difference they made.</p> | |

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| | <ul style="list-style-type: none"> o a beginning, including how the charity planned its activities, o a middle, including a description of the activities that took place, and o an end, including the results of the activities. <p>The Chair reflected on the appetite for increased guidance, while acknowledging the need for caution when issuing guidance to avoid charities viewing guidance as being authoritative.</p> <p>On the proposals for tiered reporting, the Chair noted the need for any approach to be proportionate if it applies to all charities (all tiers). There is a need for more accessible language for the specifications of the SORP which are aimed at smaller charities. Potentially more technical language can be adopted in guidance and requirements for larger charities.</p> | <p>A greater level of detail to be required of the larger tier(s) in reporting.</p> | <p><i>Consider signposting to other useful resources published by third parties.</i></p> |
| Funds note (22 October 2021) | <p>There is potentially a need for an education piece to highlight the importance of the funds note.</p> <p>The information in the funds note is useful and that an education piece would be helpful. Ideas around ‘net assets over funds’ and the presentation of the primary financial statements could be considered further at drafting stage as it had not been possible to reach a consensus.</p> | <p><i>No change but may need to revisit the discussion.</i></p> | <p>Advice on how to use the funds note.</p> |
| Support costs (1 December 2021- draft minutes) | <p>The Chair noted that:</p> <ul style="list-style-type: none"> • the SORP Committee agreed it would be preferable to retain the optionality currently offered to smaller charities in deciding between natural classification and activity-based classification. | <p>Edit the SORP to better highlight the choice of natural categories for eligible charities</p> | <p><i>Example accounts for ‘natural categories’</i></p> |

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| | <ul style="list-style-type: none"> • there were a range of views and no consensus on whether it would be reasonable to extend natural classifications to more charities. This should be revisited at the same time as tiered reporting. However, the Chair noted that some Committee Members were against extending the use of natural classification. • there was support for amending the SORP to allow smaller charities to make a more informed choice between natural and activity-based classifications, for example by use of separate SORP modules. • there was support for the suggestion of including an illustrative SoFA using natural classification in the SORP, alongside an illustrative activity-basis SoFA. • there had not been support for giving guidance on what the natural classifications should be. <p>The Chair noted that discussions made reference to how charities can be supported in telling their stories. The principles underpinning expenditure classification should reflect how the charity is functioning and what the charity does. This suggests the need for a clear link between the SORP modules on expenditure and the TAR.</p> <p>Comments around perceptions of expenditure as ‘good’ or ‘bad’ were noted, with the Chair commenting that this indicates the need to consider an education piece for the users of the accounts.</p> | <p><i>(and add an illustrative SoFA illustrating a layout that ‘should’ Be followed).</i></p> | <p><i>This education piece is about how to read and use accounts – not necessarily for the SORP process</i></p> |

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| Expenditure classification (1 December 2021- draft minutes) | <p>The Chair noted the potential benefits of a positive wording for the cost category, such as ‘enablers’. The Chair reflected that this wording had garnered broad support from Committee Members, and could serve as a platform for an education piece.</p> <p>The Chair noted that costs are costs – it is up to a charity to best decide how to undertake its charitable activity.</p> <p>The Chair noted that there was no support for including additional lines on the face of the SoFA, confirming this with the SORP Committee as a whole. Rather, the SORP Committee supported the use of narrative information to emphasise how the charity is functioning.</p> | - | <i>Advice on how best to link the text in the report to the accounts.</i> |
| Activity analysis | <p>A committee Member suggested illustrative examples of the SOFA prepared using both the activity basis of reporting and ‘natural classification’ and using the same numbers to demonstrate the differences in classification and presentation of the two alternatives. The Chair noted that examples in the SORP at present do not include figures.</p> <p>The Secretariat noted that care would be needed when including examples in the SORP. The inclusion of too many examples in the SORP leads to the risk of the SORP becoming rules-based rather than principles-based. It recommended that the SORP should be clear on whether examples are illustrative or prescriptive.</p> | Potential for a worked example. | Additional guidance or examples. |

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| | <p>The Chair asked for Committee Members' thoughts on whether Table 4 should be removed from the SORP, being facilitated by the expansion of Table 3 to include more cost categories. It was agreed that this could be revisited at drafting stage.</p> <p>The Chair referred to discussions from previous meetings on the need for an education exercise on support costs.</p> <p>The Chair commented that the preparation of additional guidance beyond that included in the SORP would be deferred. Work would be undertaken on additional guidance once the text of the SORP was agreed. The Chair later noted there was precedent for prioritising the development of the text of the SORP, then preparing examples and guidance following the publication of the SORP.</p> | <p>Module 8 - Table 4 not required but that Table 3 could be expanded to show the different type of costs across the top.</p> <p>Module 1 – a need to better align narrative reporting with reported expenditure.</p> | <p><i>Advice on how best to link the text in the report to the accounts.</i></p> |
| Sustainability reporting | <p>***</p> <p>The Chair noted that a consensus had not been reached and there is a need to see how the wider debate on sustainability reporting evolves.</p> <p>A Committee Member noted that sustainability reporting is clearly a topic that people think is important, therefore the Committee's work in this area will be subject to scrutiny. Therefore, the SORP must contain something on</p> | <p><i>- Highly likely that there will be changes to the SORP in this area. However at this stage it remains unclear what these changes will look like.</i></p> | <p><i>- This is an evolving picture but there would certainly be scope for additional guidance and/or signposting to other useful resources published by third parties.</i></p> |

SORP- reflection and problem solving – conclusions to date

| Topic (date reviewed) | Tentative conclusions reached | Implications for the text | Other forms of assistance |
|-----------------------|--|---------------------------|---------------------------|
| | <p>sustainability reporting, otherwise the SORP would be obsolete. This is an evolving area in which the 'direction of travel' is likely to increase, rather than reduce, the amount of reporting required.</p> <p>A Committee Member expressed the view that the choice should not be between whether to include sustainability reporting in the SORP. Rather, the choice should be the extent to which sustainability reporting is covered in the SORP.</p> <p>The Chair expressed a reluctance to mandate reporting beyond narrative reporting. However, the Chair suggested that the SORP should be encouraging charities to report more than they currently are, not least because this is in the interest of the charities as stakeholders increasingly look for information on sustainability.</p> <p>The Secretariat commented that it would be helpful to draft requirements on sustainability reporting towards the end of the drafting stage and reflected that several Committee Members had suggested only narrative reporting should be required of smaller charities. It raised the question of what requirements would be needed for medium and larger charities. The Secretariat commented that it might be easier to decide this when the wider external debate on sustainability reporting has developed further.</p> | | |

SORP- reflection and problem solving – conclusions to date

| Topic (date reviewed) | Tentative conclusions reached | Implications for the text | Other forms of assistance |
|-----------------------|---|---------------------------|---------------------------|
| | <p>The Chair summarised that doing nothing is not an option and that the sector should be seen to be making more disclosure than it currently does. However, the Chair noted that it is difficult to agree on what will and done and that there is a need for balance to avoid over-mandating requirements for smaller charities.</p> <p>The Chair noted that leaving this topic towards the end of drafting may help to provide clarity as this will allow time for the wider debate on sustainability reporting to develop further.</p> | | |

***Tentative conclusions marked with an asterisk are taken from unreviewed draft minutes

- 2.4 Although there are some potential changes to the text of the SORP, it is notable that the majority of suggestions in respect of the 15 topics discussed by the Committee relate to providing additional illustrative advice and guidance. This need may be indicative of a problem not so much to do with the SORP but rather the capability of preparers of charity accounts. It could also be an issue with the navigation of the SORP and the ease of finding the appropriate text or section relevant to the transaction being considered.

SORP- reflection and problem solving – conclusions to date

3 Implications for the drafting stage for the next SORP

- 3.1 Having considered the conclusions reached on all 15 topics, there are a number of potential changes for the next SORP. It should be noted that the workload involved in regard to the topics is not equal, for example reviewing the notes requires a whole SORP review which would be a very large piece of work whereas the potential change to legacy accounting is tightly focussed. Taking into consideration what is possible in the time available will therefore be key issue when settling the approach to the drafting stage.
- 3.2 There are also many areas where the feedback from engagement strands, the findings from research presentations and the discussion in the Committee have all identified a skills and education gap in the charity sector and amongst volunteers and practitioners. To address that skills gap a significant ask is made in respect of developing educational materials. This separate area of work is noted in the separate discussion paper on taking forward the drafting process.
- 3.3 Furthermore, there was no consensus reached in relation to sustainability reporting. Therefore, it is suggest that this topic is considered towards the end of the drafting process to allow adequate development in this area which would help provide clarity on the approach to be taken within the SORP.
- 3.4 **The SORP Committee is asked to:**
- **agree with the distinction made between conclusions that potentially affect the text of the SORP itself from ideas on developing other forms of advice and support**
 - **agree that potential changes to the text represent a workload priority to inform the approach to be taken to the drafting stage**
 - **agree the items identified as other forms of assistance are deferred until later in the process**
 - **note that the topic of ‘tiered reporting’ is to be considered separately in the drafting stage**

SORP- reflection and problem solving – conclusions to date

Disclaimer

These Charities SORP Committee papers have been developed to assist in the development and drafting of the Charities SORP. Readers should not treat the information contained in these papers as being definitive for the production of the Charities SORP FRS 102 (Third Edition) which will be subject to due process including a detailed consultation.