

## Invitation to Comment on Exposure Draft Charities SORP

Do you consent to personal data you provide being held, in accordance with UK GDPR and the Privacy Policy of the Charities SORP making body and its delegated parties? If you select 'no' your name and email address will not be stored, but your organisational data (if relevant) and all consultation responses will be collected.

Yes

Name:

Nicola O'Sullivan

Email address:

[REDACTED]

Role (for example, Chair, Trustee, Accountant, Treasurer etc):

Chartered Accountant

Are you happy for the SORP-making body to contact you if needed to discuss your responses?

Yes

Do you want your response to be treated confidentially by the SORP-making body and not published?

No

Are you responding:

On behalf of an organisation/body

### Responding on behalf of an organisation/body

If responding on behalf of an organisation or body, please provide its name :

BHP LLP

Please select what best describes the organisation:

An accounting firm / auditor

### A charity applying FRS 102 and the Charities SORP

What was the last reported gross income as set out in the charity's last annual accounts?

*No Response*

## A user of accounts prepared under FRS 102 and the Charities SORP

In which capacity were you using accounts prepared under FRS102 and the Charities SORP?

*No Response*

## An accounting firm / auditor

How many charity clients do you supply your services to?

More than 50 charity clients

## An accounting firm providing independent examination services to charities

How many charity clients do you supply your service to?

*No Response*

## A sector body

How many member charities does your organisation have?

*No Response*

## Responding as an individual

Which of the following describes you?

*No Response*

Question 1: Do you support the move to three tiers?

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

Better fir for a 3 tier approach than a 2 tier of large and small. More adaptable for different charities

Question 2: Do you consider that the proposed thresholds have been set at an appropriate monetary level in order to support a proportionate approach to reporting?

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

Although some comments from small charities that the £500,000 threshold is still quite low and the range to £15m is too wide.

Question 3: Do you agree that the Exposure Draft SORP clearly sets out the proposed reporting requirements for each tier?

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

*No Response*

Question 4: Do you agree that charities within the largest income threshold should be referred to as 'tier 3' charities, or should they be referred to as 'tier 1' charities?

No opinion

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

*No Response*

Question 5: Do you have any additional comments in relation to the proposed tiered reporting structure in the Exposure Draft SORP?

Where a charities income fluctuates there is some concern over moving between tiers where no year of grace applies. For example, a charity which does a large capital appeal in 1 year becomes a tier 3 charity but operationally is usually a tier 2. They will be subject to further reporting requirements but in reality activities haven't permanently changed. Question as to whether any years of grace could be applied, similar to companies.

Question 6: Do you agree that including prompt questions will help trustees to develop their Trustees' Annual Report?

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

*No Response*

Question 7: Do you consider the requirements for impact reporting for each tier to be proportionate?

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

Many charities do this currently while reporting public benefit

Question 8: Do you consider the requirements for sustainability reporting for each tier to be proportionate?

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

However some comments tier 2 should also be mandatory or there is an expectation this would be implemented later down the line

**Question 9: Do you consider the disclosures for volunteers to be proportionate?**

No

**Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)**

Narrative re volunteers - do not understand the different between tier 1 and tier 2 - wording is very similar. Many concerns around reporting numbers. Guidance needed on who a charity should class as volunteers i.e. include trustees. Also many different types of volunteers - those who volunteer 1 day and those who regularly volunteer - how does a charity reflect that within the number reporting

**Question 10: Do you consider the explanation of reserves in the glossary helpful?**

Yes

**Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)**

Very welcome new definition - provides clarity.  
One area missing is how the new lease requirements will impact reserves when right of use assets and liabilities are included on the balance sheet. How should reserves reflect those? Could something be added into the definition

**Question 11: Do you consider the disclosures for reserves are proportionate?**

Yes

**Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)**

Very welcome addition to include this reconciliation.  
Majority feel including in the TAR is the best place but some clients commented they would prefer this within the notes to the accounts following funds notes where the figures within the rec appear.

**Question 12: Do you consider the requirement for tier 1 charities to provide a summary of their plans for the future is proportionate?**

Yes

**Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)**

At the point of signing off trustees are aware of what activities they are carrying out in the current year so shouldn't be a burden to include this. Important for transparency for the users.

**Question 13: Do you consider that the additional disclosure will help to explain the treatment of legacies in the accounts?**

Yes

**Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)**

An area where many people are confused and where charities take different approaches. Much welcomed additional information.

Question 14: Do you have any other comments on module 1 and the proposals for the Trustees' Annual Report?

*No Response*

Question 15: Is the example table helpful?

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

*No Response*

Question 16: Do you have any other comments on module 4?

*No Response*

Question 17: Does the module explain the relevant requirements of the five-step model in FRS 102 in a clear and understandable way?

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

*No Response*

Question 18: Do you find the module easy to navigate as drafted?

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

*No Response*

Question 19: Do you consider that the guidance on exchange and non-exchange transactions should be set out in separate modules of the SORP rather than separate sections of the same module?

No opinion

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

*No Response*

Question 20: In the Exposure Draft SORP, all the disclosure requirements are listed at the end of the module. Would it be clearer instead to set out the relevant disclosures at the end of each section within the module?

No opinion

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

*No Response*

Question 21: Do you consider this clarification a helpful addition to the SORP?

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

An example would be useful to add to the explanation

Question 22: Does the module set out the accounting requirements for legacy income clearly?

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

*No Response*

Question 23: Accounting for legacies can be a complex area for charities to navigate. Is there a need for further guidance on this topic outside of the SORP?

No

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

Majority of client base thought the exposure draft clearly set out the requirements. Some examples would be useful but no additional guidance thought necessary

Question 24: Do you have any other comments on module 5?

Very much a need for real life examples to back up the narrative. Either in the SORP or as separate guidance.

Question 25: Do you find the module easy to navigate as drafted?

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

*No Response*

Question 26: Does the module explain the relevant requirements of FRS 102 in a clear and understandable way? Please select all options that apply.

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

Broadly most people understand but would find specific guidance useful

Question 27: Does the section (paragraphs 10B.68 to 10B.84) on arrangements that are significantly below market value provide clarity on how to account for such arrangements?

Yes



Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

*No Response*

**Question 28: Are the additional disclosure requirements set out in paragraphs 10B.95 and 10B.129 reasonable for charities with such arrangements?**

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

*No Response*

**Question 29 - please provide any other comments you have on module 10B:**

Some call for exemptions for situations which are unique to charities.

A charity has tenants who are also charities who pay below market rent may well ask the lessor what their market rent would be if they didn't discount it in order to comply with the new SORP reporting requirements. However, assessing what might be a reasonable market rent for the asset which is heritage in nature and has significant unique characteristics is likely to be complicated and expensive given the nature of the buildings and the leases (for example, a building has a 100-year lease (with 80 years to run) for use as a museum), and such an assessment would have no value to us beyond helping our tenants and ourselves meet the SORP requirements.

Similarly, where the charity 'subsidise' charities, they would need to account for the shortfall as a 'notional grant' and explain how this 'notional grant' helps us meet our charitable activities. However, the reality is that part, if not all, of the reason they 'subsidise' these rents is to meet their own charitable objective 'to promote public knowledge and enjoyment of those places of historic interest, or architectural or constructional merit in the City of York... which are owned by the company'.

It seems to this charity that there should be an exemption within the SORP for example

- Where the cost of compliance with it outweighs any reporting benefit (essential) and
- Where the lessor charity and the lessee charity both benefit from any possible subsidy and the split cannot be reasonably measured or
- Where the lessor is a heritage charity which is pursuing its own objectives in setting a below market rent

In addition to the above there is call for guidance where a charity has a lease car scheme for employees. The leases are in the charity name but the charity receives no benefit from the lease (i.e. no right of use asset), they are merely acting as an agent to enable employees to benefit from a car. What happens in this situation as this isn't covered off by the SORP but very common in charities.

**Question 30: Do you agree with the proposal in the Exposure Draft SORP that only tier 1 and tier 2 charities, that do not meet the small entity threshold, and all tier 3 charities are required to prepare a statement of cash flows?**

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

Well reduced burden for smaller charities

**Question 31: Do you have any other comments on module 14?**

*No Response*

Question 32: Do you agree that the additional disclosures are helpful?

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

*No Response*

Question 33: Do you agree that the additional disclosures are proportionate?

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

*No Response*

Question 34: Do you have any other comments on module 20?

*No Response*

Question 35: Do you agree with the new approach to using the generic term 'social investments' instead of referring to 'programme related' and 'mixed motive' investments?

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

Fits more with what's actually happening in the sector and much easier to understand

Question 36: Do you agree that the simplification of how gains and losses on social investments are reported is beneficial?

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

*No Response*

Question 37: Is the Exposure Draft SORP clear on the requirements for comparative figures and disclosures?

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

*No Response*

Question 38: Do you think there is a need for further guidance on the treatment of comparative figures and disclosures in this area?

No opinion



Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

*No Response*

Question 39: Do you have any other comments on module 21?

*No Response*

Question 40: Do you agree that the drafting, structure and proposals in the Exposure Draft SORP support the needs of smaller charities whilst addressing the needs of users of charity reports and accounts?

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

*No Response*

Question 41: Do you agree with the SORP-making body's decision to continue to disallow the application of Section 1A?

Yes

Please provide reasons for your answer or suggestions on how you think Section 1A could be applied differently: (250 word limit applies)

*No Response*

Question 42: Do you have any other comments on the Exposure Draft SORP?

Funders should be provided with guidance around the new income recognition criteria which will help charities in their discussions around grants/contracts.

The more practical examples which could be included in the SORP the better.

Templates for lease arrangements would be very useful, especially for the smaller charities with less experience in the finance team.