

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:

Steph Beeston-Clarke

Email address:

[REDACTED]

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

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 :

Beeston-Clarke Accountants Ltd

Please select what best describes the organisation:

An accounting firm / auditor

An accounting firm providing independent examination services to charities

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?

Between 21-50 charity clients

An accounting firm providing independent examination services to charities

How many charity clients do you supply your service to?

between 21-50 charity clients

A sector body

How many member charities does your organisation have?

No Response

Responding as an individual

Which of the following describes you?

Other (please specify):
IE and also advisor to charities as their outsourced finance function

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)

It seems sensible to do this, especially in relation to smaller charities and hopefully less disclosures for them - less administrative (and costly) burden.

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?

No

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

I feel that the Tier 1 level should be in line with the audit threshold level (currently £1m) and should be permanently linked to that level. For charities that require only Independent Examination, I feel it puts additional administrative burden on the charity and their advisors that does not give a proportionate additional level of useful information for funders and other stakeholders.

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)

It's very clear, and I very much like the new way the tiered reporting is laid out.

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)

It really doesn't matter what they are called, as long it is clear. However, in practice people will call them small, medium and large charities!

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

It would be useful to have a single document for just the Tier 1 reporting (so a Tier 1 SORP) for the smaller charities to be able to use. Might this be possible in the tailoring on the SORP website?

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)

Very pleased with the question prompts, especially for Tier 1 and Tier 2 charities as often it's the accountant or examiner they ask what to put in some of these. At least the questions will help them to formulate their thinking.

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)

Yes, it's good for even the smallest of charities to be required to report on the impact they are having.

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)

Further guidance or additional prompt questions would be extremely useful here - particularly for Tier 1 and Tier 2 charities who haven't had to actually document this. They have no idea where to start, so the prompt questions would be invaluable, with additional guidance to add more if they are doing more.

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

Yes

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

Yes, but smaller Tier 1 charities will not have the infrastructure in place to record the data for volunteers other than perhaps how many - and they are doing this now - so it could become cost prohibitive on the smallest.

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)

This is one of the key questions we get asked 'What should we have as our reserves'. Some further guidance with worked examples would be really helpful.

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

No

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

I think for the smallest of charities they are really going to struggle with these additional disclosures, and will become another administrative burden. They generally don't have the expertise on the board to consider this in terms other than '3 months of expenditure'. Guidance around how to approach and think about it (as we can't sit in on all their board meetings to help them come up with the policy and the disclosure!)

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)

I think it should be made clear that the level of disclosure needs to be proportionate to the size of the charity and its operations.

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)

I agree that this is a needed requirement for users of the accounts to understand the treatment of legacies, particularly if they are material.

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

I like how clear it is for each of the different Tiers and what is expected from them. The question prompts are a fantastic addition and more should be included to help guide Trustees to what you're actually asking them to disclose.

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?

No

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

As an accountant this has been extremely difficult to get to grips with, so how Tier 1 and Tier 2 charities are going to do this is going to either incur significant additional cost by getting professional help to just understand it, and an additional burden on them to complete when they already have very stretched resources in both time and money.

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?

Yes

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

It would be better to have them separated, along with some examples of disclosures/updated accounting policy notes as well.

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?

Yes

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

Disclosures at the end is usually best, but in this case I think at the end of each section would be better - or each section to actually have it's own module within the SORP

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)

Helpful clarification for accountants and preparers of accounts, but I doubt very much smaller Tier2 and Tier 1 charities would understand.

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 opinion

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

No Response

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

I like the split between exchange and non-exchange transactions. I think having 2 separate modules would actually be clearer, and the disclosures for each at the end of their own module with example layouts of the disclosures and how an updated accounting policy might look.

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)

This is going to cause smaller charities significant additional cost as the accountant/IE will be left to do all the calculations. I think the time value of money needs further examples of real life situations.

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)

Clear to an accountant brain - no so sure for a small Tier 1 charity trying to prepare their own accounts. Again, further examples would be useful.

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:

Accounting for leases is going to be incredibly difficult for Tier 1 charities, resulting in additional costs for support and understanding around it for Trustees (they struggle to understand depreciation, so this is going to be a difficult one to explain!). The costs of these changes are going to make it disproportionate for charities under around £1m income as they often don't have any in house finance director level team.

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)

To be honest, at the level of Tier 1 and probably up to around £2m income no-one seems to understand the statement of cashflows and never looks at it - as they generally don't have very complex financial operations and so it a waste of time and resource.

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

This is great news for previous smaller 'large' charities with income over £500k as they often just don't understand it and it's just a compliance burden, alongside not really being relevant for their size of charity.

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

No opinion

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

I don't have any charity clients at present with permanent endowments, so this has never been relevant to me.

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

No opinion

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)

Clarification and simplification of terms is always helpful - especially when backed up with examples.

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)

Appears to be a much simpler process for recognition and everything being in one place.

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)

Very clear on the requirements for Tier 1 and Tier 2 charities. I think some of the disclosures are still overkill for Tier 1 charities, but accept that users of the reports and accounts may need that level of detail.

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)

I think using FRS102 1A would be one step too far in simplifying for charities, and would lose the transparency required for a PBE.

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

I feel that Tier 1 charities should be those below the audit threshold. The additional requirements for charities between Tier 1 and audit will make reporting disproportionately more expensive than those Tier 2 charities that are at the upper end of the thresholds, without really providing much more benefit to the users of the accounts. The additional costs of Independent Examination and burden on these smaller charities at the same time as needing to make all the adjustments for leases and income recognition is a huge burden, and will significantly increase the costs of accounts preparation in relation to the size of the charity - particularly at a time when many charities are struggling to find funding to just continue in existence.

Applying complex 'large' business principles to small charities (e.g. with Leases) puts such an additional burden on them, and they just don't have the internal expertise to cope with understanding and then performing the calculations. Great for accountants and their fees, not so great for the charities.