

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:

Ed Marsh

Email address:

[REDACTED]

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

Senior Charity Adviser

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 :

Burton Sweet Chartered Accountants

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?

More than 50 charity clients

An accounting firm providing independent examination services to charities

How many charity clients do you supply your service to?

more than 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?

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)

The level of accountability required of the very largest charities should be at a different level to smaller charities, and this potentially makes that possible.

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)

It would be much clearer to link the Tier 2 threshold either with the audit threshold in all jurisdictions, or with a larger threshold such as £1m. With inflation over the last 10 years, £500k is no longer an appropriate or proportionate level and Tier 2 requirements are onerous for some just creeping over that threshold. It seems strange that a charity with £501k income would have the same reporting requirements as one with £14.99m.

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)

On the whole, yes, although there is some confusing/inconsistent formatting in the Trustees' Annual report module. With so little variation between the tier requirements in anything other than the TAR module, it does seem a bit redundant to include it at the start of each module, but that's probably the clearest way.

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?

Agree with tier 3

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

- 1) Now that it's been included one way in the draft, it will confuse lots of people to switch it around.
- 2) Let's not imply that largest charities are the most important by saying they are tier 1. That would be a shame and would not be consistent with 'Think small first'.
- 3) It would be difficult to redraft the SORP to build the requirements as a charity goes 'up' through the tiers.

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

It would be helpful to have some guidance on what a charity would need to do if it temporarily went from one tier to another simply because of a gain on selling an asset or a one-off legacy. How could the (temporary) burden of increased reporting be lifted in such cases?

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)

The inclusion of questions is really helpful. But I hope Trustees don't paste the questions into their reports when seeking to address them! Although that may be your intention to help clarity?

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

No

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

If Tier 2 were in line with the audit threshold, then, yes, the requirements are proportionate. But requiring a charity with just over £500k income to give the level of detail required (especially regarding measures, indicators, outputs and outcomes) is onerous. Either move some of those requirements into Tier 3, or increase the Tier 2 threshold in line with the prevailing audit threshold.

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)

On the whole, yes, but Tier 1 and Tier 2 could perhaps be stronger than 'encouraged'. As long as Tier 1 and 2 have some freedom in terms of what and how they report, requiring some kind of comment would be much more in line with the expectations of the society we live in. For tier 3, could you give some examples of KPIs a charity might use?

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)

This is helpful, but, again, a higher tier 2 threshold will make this requirement more proportionate.

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)

No Response

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)

Reserves reporting and disclosures have been a weak area in charities of all sizes and making these areas a 'must' is strongly supported by Burton Sweet.

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)

Yes, and it's helpful that the Tier 1 requirements are not too prescriptive. Again, it would be helpful if the tier 2 threshold were higher so that the more detailed reporting on future plans isn't imposed on smaller charities.

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)

Yes, but the requirement seems vaguely worded - 'how legacies are included...'? An example would really help preparers understand what would be good disclosure here.

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

Did you mean for paragraph 1.58 to be tier 3 only? Under the current SORP, all charities above £500k include this information. It would seem odd for a £14.9m charity not to include the name of their CEO!

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)

This is a very technical module and it feels out of reach for smaller charity accounts preparers. FRS102 leaves no other option than to include this level of detail in here, but it does present as very technical indeed. It's helpful to have examples of what types of contracts might be covered, but worked examples would be far more accessible and helpful.

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

No

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

It's helpful to have section one and section two separated, but it'd be very helpful to have Steps 1 to 5 under clear headings in the Exchange transactions section.

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)

We agree that this would be helpful, as they are fundamentally so different.

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)

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)

This helps to make more obvious what many practitioners have already been doing in preparing accounts. Thank you.

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?

Yes

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

It'd be helpful for there to be sources of worked examples and different scenarios illustrated.

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

It's very long! Splitting into two modules would help.

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)

No Response

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)

Whilst there is clarity, it seems very odd that the non-exchange component in a social donation lease would typically be recognised at the commencement of the lease rather than over the lease term!

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

No

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

It'd be helpful for smaller charities to have reduced disclosure requirements here.

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

It's very long and quite overwhelming for smaller charity preparers.

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)

No Response

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

The statement of cash flows is of limited use in a charity context. Why not require the very largest tier 3 charities to prepare it under the direct method so that it provides some relevant and helpful information to users?

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)

It's helpful to align with the legislation's terminology, but it's a shame to lose the distinction between programme-related and mixed-motive (I prefer the term mixed-purpose) as it more clearly communicated what was behind the investment.

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

No

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

Charging programme-related losses to grants payable was a very helpful way of being consistent with the motives at play and a good way of demonstrating impact. It's a shame to lose this.

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

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?

No

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

The SORP is far too long and far too technical to address the needs of smaller charities. Some kind of 'micro' tier would have been a big help, or producing a standalone SORP for smaller charities. We're not sure that 'Think Small First' is really the impression it gives. However, we recognise that the FRC must bear the responsibility here, with FRS102 condemning the SORP to being overcomplicated for small charities.

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)

The FRC need to consider what alternatives there are here to benefit smaller charities.

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

No Response