

# 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.

No

Name:

*No Response*

Email address:

[REDACTED]

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

*No Response*

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

*No Response*

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 :

Charities and Public Benefit Entities Forum

Please select what best describes the organisation:

Other (please specify):  
A forum which CIPFA hosts that is focused on sharing good practice, discussing key issues impacting the sector, and working towards common solutions

## 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?

*No Response*

## 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)

*No Response*

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)

The introduction of tiered reporting is welcomed. However, reduced reporting may not be appropriate for charities managing high-value assets despite having lower income levels. Their financial accountability should reflect the expectations of stakeholders who rely on transparency, particularly regarding significant investments. The forum acknowledges that the increased requirements within the Trustees' Annual Report, along with references to Companies Act thresholds, may be sufficient for now.

**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)**

The forum considered alternative naming conventions for charity tiers, including terms such as "small," "medium," and "large." Ultimately, the forum concluded that any naming convention adopted would be acceptable, provided the definitions are clear and consistently applied.

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

Charities would benefit from clearer guidance on how to handle tier classification when fluctuations in income impact reporting thresholds. The forum stresses the need for a pragmatic approach, suggesting that charities remain at the higher threshold if income drops temporarily. Moving between tiers is a complex process requiring additional resources, and the forum acknowledges that charities growing into a higher tier must accept the demands associated with it, if the growth is not one-off. Guidelines on transitioning such as the "two-year rule" in companies act, could be a practical addition.

**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)**

*No Response*

**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)

*No Response*

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)

The provisions around volunteer disclosure appear inconsistent and could lead to additional complexity. ED 6.6 - "Where a gift takes the form of volunteer time, the charity does not have control over the resource, but it has the right to control how the volunteer resource is used at the time the donation of volunteer time is received by the charity. Charities are not expected to be able to reliably measure and therefore recognise, many of the contributions made by volunteers but where for instance, the service provided by a volunteer would be normally provided as part of their trade or profession for a fee, it would be capable of reliable measurement and therefore will be recognised at the time it is received. For example, a professional accountant volunteering to be an unpaid independent examiner acts on the charity's instruction, or a coding expert offering to develop a free website develops the website to the charity's specification."

This would mean that the time of say a professional accountant volunteering to be on an audit committee and providing advice would need to be included in the financial statements but the time of say a finance director who does not normally charge for his/ her time would not need to be included. This appears to be inconsistent.

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)

*No Response*

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)

*No Response*

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)

*No Response*

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

The forum strongly supports the emphasis on the Trustees' Annual Report as a key element of charity accounts. Given growing donor interest in transparency and the responsible use of funds, the forum endorses the proposed increase in reporting requirements. While these requirements may introduce additional administrative effort, the forum believes that the benefits of accountability outweigh the potential burden.

**Question 15: Is the example table helpful?**

No opinion

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?

No opinion

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

*No Response*

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)

The control test is an important one – The section in the ED focuses on probability and measurability which is a great foundation. It should also clarify that a prerequisite is that the charity controls the economic resource and can direct its use and can obtain the economic benefits that may flow from it.

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

The forum believes it is important to ensure that the SORP guidance on time-related conditions remains clear and unambiguous. In the SORP 2015, the wording included the following clarification which is no longer in the ED:

"Specification of a time period may amount to a pre-condition for use that limits the charity's ability to spend a grant or donation until it has performed the activity related to the specified time period."

This wording explicitly conveyed that certain donor-imposed conditions directly restrict when a charity may recognise and use funds, ensuring compliance with the intended financial and operational limitations set by donors. The removal of this statement in the latest edition diminishes the clarity of this principle, potentially leading to misinterpretation regarding the treatment of restricted funds.

The forum recommends that this wording be reinstated in the ED.

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)

*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:

*No Response*

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?

*No Response*

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)

*No Response*

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?

No opinion

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

*No Response*

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

No opinion

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?

No opinion

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?

No opinion

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?

The Charities and Public Benefit Entities forum ("The forum") welcomes the opportunity to contribute feedback on the SORP exposure draft, acknowledging the vital role financial reporting plays in ensuring transparency, compliance, and the overall effectiveness of charities. Our response highlights key areas of concern and recommendations for practical implementation.

Areas of concern

Proportionality in Reporting Requirements: The forum urges the SORP-making body to approach reporting requirements with proportionality, ensuring smaller charities are not burdened with unnecessary bureaucracy. Allowing them to focus on their core mission without excessive administrative strain is crucial.

Capability of Staff: The forum advocates for consistency across the sector in equipping charity staff with the necessary skills to navigate reporting requirements. Practical training and resources would help improve financial literacy and regulatory compliance.

Accountancy Software: Given the variety of accountancy software used by charities, the forum raises the question of whether guidelines on minimum specifications for accounting software should be set to ensure consistency, data security, and accuracy in financial reporting

Comments on Practical Implementation

Trustees' Annual Report: The forum supports the emphasis on the Trustees' Annual Report, particularly in highlighting impact. A well-structured report ensures that financial data is complemented by qualitative insights, reinforcing a charity's accountability and effectiveness.

Fluctuating Charity Income & Activity Levels: Charities would benefit from clearer guidance on how to handle tier classification when fluctuations in income impact reporting thresholds. The forum stresses the need for a pragmatic approach, suggesting that charities remain at the higher threshold if income drops temporarily. Moving between tiers is a complex process requiring additional resources, and the forum acknowledges that charities growing into a higher tier must accept the demands associated with it, if the growth is not one-off. Guidelines on transitioning such as the "two-year rule" in companies act, could be a practical addition.

Communication of Changes: The forum suggests that the commission emphasise the need for charities to present changes to their accounts resulting from the SORP in a way that is relevant to the users of charity accounts. The forum recommends that charities maintain a strong link between financial reporting and qualitative impact reporting to enhance clarity and comprehension.