

# 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:

Frances Howard

Email address:

[REDACTED]

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

Head of Audit

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 :

Fortus Limited

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)

It feels fairer that the disclosure requirements are reduced for smaller 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?

No

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

It would make more sense for the lower limit to align with the audit threshold rather than having an additional threshold which can cause confusion.  
The difference between the £500k and £15m thresholds is very wide, there will be a lot of Charities with say £10m of income for which there are many projects and the additional disclosure would be helpful to users of the financial statements. Additionally, more disclosure for a Charity with £500k is a big task for an entity that will likely have very few employees and limited finance function.  
At present, funders consider whether Charities are under or over the £500k threshold, there are a number over the £500k that are struggling to obtain funding because they are too 'large'. If these Charities then become 'stuck' in the £500k - £15m bracket it could make obtaining funding even harder

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)

We find it very clear

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 is the starting point and then moving up through 2 and 3 increases disclosure, this seems logical.

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

*No Response*

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)

It is helpful for those that want to comply well with the spirit of the SORP. For those that want to include the bare minimum it will likely be less useful.  
A lot of Charities have a set format for Trustees report that they update each year, having the Trustees embrace change may be difficult in some cases.

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)

It could be clearer what is required for each tier in terms of impact reporting. The additional requirements for tier 3 appear to be very small. Tier 2 will be quite onerous for some very small charities as the tier is so wide.

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)

Tiers 1 and 2 are unlikely to have the resources to report on this as well as tier 3 would.

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)

*No Response*

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

No

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

The explanation is my understanding of 'general' or 'free' reserves. Restricted, endowment funds etc would still be considered to be reserves by most people/finance professionals. The description will likely cause confusion.

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)

All the required points should have been considered by any Trustee as part of their role

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)

It will have been considered by the Trustees already and will assist funders in deciding whether to fund the Charity.

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 would have expected material legacies to be discussed as part of the financial review based on the prior SORP.

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

Plans for future period for tier 2 charities appears very onerous when you consider that this includes Charities with £500k of income. There should be a middle ground for these smaller charities.

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)

Sets things out clearly

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)

More examples would be helpful, possibly in a appendix

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

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

It all relates to income recognition and in some cases you will need to refer to both sections to decide where the income should sit.

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

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

Easier to refer them to all in one place. Hyperlinks at the end of the section to the relevant disclosures required for that section at the end of the module would be particularly helpful.

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 clarifies something a number of our charities are already doing.

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)

If further guidance were to be given we feel it should be in the form of examples.

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

*No Response*

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)

Broken down in to sensible sections. Hyperlinks at the start are good.

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)

Our Charity clients do not tend to find the cashflow statement helpful

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)

We do not have any clients that use this method

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)

As 32

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)

*No Response*

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

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

Appears clear



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)

We feel the tier 2 requirements for charities just over the £500k threshold remain onerous.

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 disclosures would be too limited for users of the financial statements if 1A were adopted.

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

The timeframe between the intended issuing of the SORP and the requirement to adopt it is very limited. A lot of Charities do not have large and qualified finance functions and therefore being prepared will be difficult.