

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:

Frank Learner

Email address:

[REDACTED]

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

Volunteer consultant for Cranfield Trust

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:

As an individual

Responding on behalf of an organisation/body

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

No Response

Please select what best describes the organisation:

No Response

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?

Independent examiner of charity accounts

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

No opinion

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?

No opinion

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

No Response

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

No opinion

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?

My comments here are not related to tiered reporting. I am using this first 'free text' space to explain my 'unusual approach to this consultation.

This is a very limited input to the SORP 2026 consultation process as I have decided that the introduction of the new SORP is a suitable milestone for my retirement from active advising on charity accountancy.

My role in charity accounts started in 2013 and I soon afterwards set up my own business as an independent examiner (FCIE qualified) and offering financial management training – being awarded the DCHA qualification in 2011. Until I closed my business in 2019, my main voluntary contribution was as trustee treasurer (consecutively of 2 medium-sized charities) and a member of a regional committee of the Charity Finance Group. Since 2019, my charity input has comprised being a volunteer consultant on finance and risk issues for the Cranfield Trust.

The purpose of this limited input is that SORP 2026 seems to perpetuate what I see as being two fundamental contradictions on fund accounting. In each case, the wording between the 2019 SORP and the 2026 ED SORP changes slightly, but the message is unchanged

I have thus commented only on Modules 2 and 5.

General Comment

I do hope the checking process will be far better than what happened for the current SORP. I viewed the first edition of the current SORP as having been riddled with anomalies, inconsistencies and ambiguities – probably compounded by having to simultaneously prepare FRSSE and FRS102 versions.

Auditors and independent examiners are, in practice, the final arbiters of what goes into published accounts. They apply the SORP - which should bring clarity and avoid muddle; I feel for the lay independent examiner.

(end)

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

No opinion

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?

No opinion

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?

No opinion

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 opinion

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 opinion

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?

No opinion

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?

No opinion

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?

No opinion

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?

No Response

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?

No opinion

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?

No opinion

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?

No opinion

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?

SORP INCONSISTENCY ON FUND CATEGORISATION OF 'NEGATIVE' RESTRICTIONS

The inconsistency between Modules 2 and 5 on how to categorise a 'negative' restriction remains – with the apparent risk of different treatment across the charity sector.

The relevant SORP references are:

- 2019 para 2.9: In certain circumstances the donor may express a form of non-binding preference as to the use of the funds, which falls short of imposing a restriction in trust law. In which case the charity will include the funds as part of its unrestricted funds. To respect these non-binding donor wishes, trustees may decide to designate those funds to reflect the purposes which the donor had in mind.
- 2026 ED para 2.11: In certain circumstances the donor may express a form of non-binding preference as to the use of the funds, which falls short of imposing a restriction in trust law. In such cases, the funds are held as part of the charity's unrestricted funds.
- 2019 para 5.7: Transactions must be accounted for and presented in accordance with their substance and not simply their legal form. In particular, a charity should consider: the terms of a donation or grant that impose a restriction on use which is narrower than the general purposes of the charity. Terms placed on gifts that limit a charity's discretion over how income must be used are presented as restricted income in the accounts.
- 2026 ED para 5.6. The substance of any restriction placed on the use of income must be considered when determining whether or not income is presented as restricted funds in a charity's accounts. A charity should consider whether the terms of a donation or grant impose a restriction on use which is narrower than the general purposes of the charity. Donations or grants with terms that limit a charity's discretion over how income must be used are presented as restricted income in the accounts.

Summarising the different modular approaches to a 'negative' condition:

- Module 2 specifies unrestricted if the condition does not specify a particular purpose for the spend.
- Module 5 specifies restricted on grounds of substance over legal form – highlighting the limitation of a charity's discretion.

When I have acted as an independent examiner, I have applied substance over form on a 'negative' condition. A charity could have repeat funding denied if a funder discovered that an intended 'negative' restriction had been ignored. The condition I clearly recall is 'this funding cannot be used for capital expenditure'.

Ideally I would like to see this inconsistency removed on grounds of clarity. If a decision on primacy (my vote is for Module 5) is difficult, then please at least give cross-references to highlight the alternative treatments.

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

No opinion

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.

No opinion

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?

No opinion

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?

No opinion

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?

No opinion

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?

No opinion

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?

This comment relates to a particular aspect of Module 2.

HOARDING OF UNRESTRICTED FUNDS

My approach to a charity's fund holding has always been based on the principle (currently stated at CC19 para 5) that charity trustees have a general legal duty to spend income within a reasonable time of receipt. CC19 para 5 makes no mention of different fund category approaches, but the particular 2026 ED SORP wording still makes no reference to the applicability of this general legal requirement to unrestricted funds.

The relevant SORP references are:

- 2019 para 2.6: Unrestricted funds are spent or applied at the discretion of the trustees to further any of the charity's purposes.
- 2026 ED para 2.7: Unrestricted funds do not have any restrictions or conditions on their use and can be spent or applied at the discretion of the trustees to further any of the charity's purposes.
- 2019 para 2.11: Restricted income funds are to be spent or applied within a reasonable period from their receipt to further a specific purpose of the charity
- 2026 ED para 2.13. Restricted income funds are to be spent or applied within a reasonable or specified period from their receipt to further a specific purpose of the charity,

Para 2.7 of the 2026 ED suggests that inexperienced trustees of a Tier 1 charity and a lay independent examiner could conclude that it is acceptable for a charity to 'hoard' unrestricted funds. What I would like to see added to 2026 ED para 2.7 is a sentence that:

- Refers to 2026 ED para 1.40.
- Reminds trustees that they must explain in the TAR the reason for holding excessive unrestricted funds above the amount needed for reserves.

MY APPROACH TO THIS CONSULTATION

In case my general comments at the end of the first section on Tiers were ignored by the IT system as irrelevant, I repeat them here:

This is a very limited input to the SORP 2026 consultation process as I have decided that the introduction of the new SORP is a suitable milestone for my retirement from active advising on charity accountancy.

My role in charity accounts started in 2013 and I soon afterwards set up my own business as an independent examiner (FCIE qualified) and offering financial management training – being awarded the DCHA qualification in 2011. Until I closed my business in 2019, my main voluntary contribution was as trustee treasurer (consecutively of 2 medium-sized charities) and a member of a regional committee of the Charity Finance Group. Since 2019, my charity input has comprised being a volunteer consultant on finance and risk issues for the Cranfield Trust.

The purpose of this limited input is that SORP 2026 seems to perpetuates what I see as being two fundamental contradictions on fund accounting. In each case, the wording between the 2019 SORP and the 2026 ED SORP changes slightly, but the message is unchanged

GENERAL COMMENT

I do hope the checking process will be far better than what happened for the current SORP. I viewed the first edition of the current SORP as having been riddled with anomalies, inconsistencies and ambiguities – probably compounded by having to simultaneously prepare FRSSE and FRS102 versions.

Auditors and independent examiners are, in practice, the final arbiters of what goes into published accounts. They apply the SORP - which should bring clarity and avoid muddle; I feel for the lay independent examiner.