

# 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:

Susan Wilson FCA

Email address:

[REDACTED]

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

Convenor to the Major Funders & Donors and Government & Public Bodies Engagement Strand

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 :

The Major Funders & Donors and Government & Public Bodies Engagement Strand

Please select what best describes the organisation:

A user of accounts prepared under FRS 102 and the Charities SORP

Other (please specify):

An engagement strand which fed into the development of the Draft Charity SORP 2026

## 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?

Funder

## **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)

Throughout the process, the MFDGPB strand were eager to ensure that the reporting burden on small charities be reduced. We feel that the tier 1 requirements support our desire.

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)

We are supportive of an uplift in Tier 1 to £1m gross income to correspond with the E&W audit limit of £1m, and the proposed uplift to that same level proposed for Scottish Charities, due to come in in Autumn 2025.

We are aware of the DCMS consultation for E&W charities, which puts forward further increases in audit limits, but feel that at the current time, the £1m limit should apply. However, it is less confusing for users (and preparers) of accounts if there could be more alignment with different legislations. We would therefore expect to see continuous review of appropriate limits of gross incomes.

**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)

During the engagement process, the MFDGPB strand sought to protect the interests of small charities, and we feel that the exposure draft has achieved a great deal in this regard.

**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)

To change the proposals at this late stage would cause further confusion to users of the accounts, especially, the lay person.

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

No

**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 prompt questions are a useful addition to the SORP provided that they are not considered as being exhaustive by users, Trustees and preparers of accounts. Preparers and Trustees should read Module 1 in its entirety before signing off the report. Funders may well have their own application forms for grants which would tease out specific answers, but it is helpful to the lay reader to be able compare one set of accounts/results from one charity to another using standard reporting

**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)

The differences between each tier's reporting requirements are clearly set out in the draft. However, fundraisers view impact reporting as a fundraising 'tool', and may still desire to use a separate document in this regard. It is also hoped that the inclusion of impact reporting in the TAR will not extend the length of the full set of accounts excessively.

**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)

The handy Table 1: Relevant paragraphs for each tier, discloses that, as drafted, Sustainability reporting sits at 1.60 after Structure Governance and Management, Reference and Administration details. Anyone following the SORP by rote may produce their TAR in that order, which seems to suggest Sustainability Reporting as an 'add-on'. This may have come about as Sustainability was the last topic discussed by the Engagement strands as, at the time, we were awaiting publication of other legislations? Might we suggest that the table and paragraphs are reordered to allow Sustainability to sit either above or under Plans for Future periods, especially as costs in becoming sustainable, might be spread across future years?

**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)

1.22 under Objectives and Activities includes the requirement for explanations regarding Volunteers in the TAR, but there is no reference to that point in the index; nor in Table 1. As volunteers' contribution is important to most charities, could there be some signposting added to the structure of the ED? Especially to Module 6.20 and 6.21 where there is further guidance regarding the reporting of the contribution of volunteers?

**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)

But, we would welcome an expansion of Module 1 to include these definitions and helpful guidance. And, to achieve more joined up reporting, ie the figures in the TAR should not only agree to, but also be reconciled to the Reserves Notes. The glossary definition would sit better in 1.37, rather than the glossary, and a guidance table would be helpful at that same point.

Reserves are an important consideration that Funders use to assess eligibility for funding, but also one of the most misunderstood elements within a set of Charity accounts, and enhanced guidance would be helpful for Trustees and preparers of accounts.

**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)

And we refer to our submissions under Q 10 above

**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)**

A clear statement about future plans is welcomed within the accounts; even for small charities. This would form part of any consideration by Funders for Grant support, especially when multi year funding is being applied for.

**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)**

But, there appears some confusion as to where the explanations should sit. 1.46, under Financial Review relates specifically to timing differences, and it would be wrong to include a duplicated explanation, if that same data was included as a Note to the Income section of the SOFA. It is relevant for a legacy note to be in the TAR if the receipt of such income is unusual for the charity, and that it may distort its financial position, and in some cases bring about artificial movement between Tiers from one year to another.. But, a timing explanation is better in the Notes to the Accounts under Income as the PY comparatives will also be available in the Notes.

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

No

**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)**

Good to see an example demonstrating natural classifications, which is of benefit to smaller charities. Adopting that table will also create more direct comparisons between applicants when applying for funding.

**Question 16: Do you have any other comments on module 4?**

We feel an education piece is also required by the SORP making body to highlight the possible use of Natural Classifications for smaller charities. When promoting SORP accounts many accounting firms do not make the charity aware that this option is available. Using Natural Classifications, reduces the need for some subjective judgements in SOFA expenditure analysis.

**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)

The 5 steps are clearly defined within Module 5, but there are also definitions within the Module, which might be better in the Glossary eg 5.15?  
A worked example would be useful for preparers, signposted to the Glossary if necessary.

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)

As stated in Q 17 if some definitions are moved to the Glossary, the Module would be more straightforward and easier to understand.  
Caveat:  
There could be VAT implications of delineating types of income within the accounts/notes, and as a sector we should be careful to ensure that any declarations made under this module do not lead to unnecessary investigations by HMRC. Contracting with the NHS, for example, can be very complicated and can be shrouded in doubt as to whether funds are paid as a contract or a grant.

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)

Easier to seek guidance if in separate modules.

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)

Seems fine where it is at the moment

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)

A long overdue suggestion which provides consistency and clarity

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)

Please see our comments under TAR. There should be no duplication of detailed explanations regarding calculations appertaining to Legacy income.  
Should para 5.95 contain an advert for Smee and Ford when other service providers are also available?  
Should the sentence end after notification service?

**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)

An education piece may be beneficial for some charities. Especially those who do not receive legacies on a regular basis.

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

No

**Question 25: 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)

This change was not discussed by the seven Strands during the Engagement Process; as the changes introduced by FRS102 in this regard were not available at the time. Module 10 is very long and not an easy read.

The complex changes to presentation of leases in the accounts is also now subjective in some cases. There is no definition of 'small' and many smaller charities will seek to apply exemptions under 10B.100 to avoid distorting Balance Sheets or avoid reliance on accounting firms producing detailed calculations, which will ultimately cost the charity more in professional fees. It will also cause funders to (maybe) unwind some applicants' accounts to compare like with like where different subjective approaches have been taken. Where a funder also asks to see Management Accounts to support an application there could also be discrepancies as some charities will adopt the old approach in the Man Accts to the statutory accts.

We appreciate that as long as FRS102 requires lease accounting along these lines there is not that much the SORP can do to alleviate the difficulties. But we note that there has been a call for the Charity Accounting Regulations in each jurisdiction to provide an explicit exemption from this requirement in the case of normal leases of buildings or other assets used for charitable purposes. We would fully support that suggestion, at least for charities in Tiers 1 and 2. We would encourage the joint regulators that constitute the SORP-making body to support this proposal.

**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 - do not understand a specific section

No - do not understand recognition exemptions

No - do not understand disclosure requirements

No - do not understand time value of money (free text box will be provided for more information to be added)

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

See previous response.  
Much clearer wording is required throughout Module 10B.

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

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

Complex and confusing subjective judgements are required which will make comparison of accounts for funding more difficult for funders.

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)

10B.129 seems easier to read and understand than 10B.95!

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

Please see all previous responses in this section. Very complex and complicated for smaller charities.

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)

This was a change requested by MFDGPB strand, as funders place little heed to a historic document. We are grateful for the exemption introduced for tiers 1 and 2. Thank you.

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

No

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)

Good to see guidance regarding social investments



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

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)

Now aligns with CC14 guidance. So welcomed

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)

See previous answer

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)

Responding that this question relates to the whole SORP and not just Social Investments?  
It was hoped by MFDGPB strand that some pages that replicate previous years' pages - eg PY SOFA would be eliminated. This does not appear to have happened which is disappointing.

Question 38: Do you think there is a need for further guidance on the treatment of comparative figures and disclosures in this area?

Yes

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

See previous response plus there is such a thing as information overload which interrupts the flow of current reporting and understanding of the overall picture.  
Some exemptions for Tier 1 charities would be welcomed in this regard.

Question 39: Do you have any other comments on module 21?

No

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)

The exemptions for Tier 1 charities are all welcomed. But there might be additional exemptions for that tier that could be included lease accounting?  
But that having been said, the SORP is still very complex, and so far we do not see anything that will produce a more compact report for the users of charity reports and accounts. Our strand not only represents major funders but also general donors. Indeed with more explanations required in the TAR and Notes, especially, the new provisions re Lease Accounting, the reports look as if they will be longer. As a sector we should be producing concise reports rather than publishing complicated data which bamboozles the general public. who probably give up reading at page 10.

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)

*No Response*

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

After a great deal of input from many people it is disappointing to note that the ED is over 300 pages long. Approx 100 pages longer than SORP 2015. This will be off putting for many Trustees who will depend even more on the preparers of their accounts to fully understand all regulations including references to FRS102 in several respects. This reliance will come with additional costs for the charity, which could mean that services may be reduced. This should not be the aim of the sector.  
Lease accounting is very complex and may bring about a reduction in compliance, as it is easier to claim exemptions than make the changes. We do have concerns as to how compliance will be monitored. Rather than remove some subjective judgements, more have now been included - re Income recognition and Lease accounting - which will make comparison between charities more difficult for the users of accounts.  
During the Engagement process, all strands asked for educational pieces to be introduced by the Joint Regulators. It would be good to know if any such events are to be organised, rather than reliance on the Accountancy Bodies, sector interest groups or accounting firms to bear the brunt of education. Some simplifications of language are required throughout the document