

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:

Jill Hopkinson

Email address:

[REDACTED]

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

Policy Manager

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 :

NAVCA - National Association for Voluntary and Community Action

Please select what best describes the organisation:

A charity applying FRS 102 and the Charities SORP

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

A sector body

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?

£500K - £1M

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?

Academic

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?

More than 100 member charities

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)

NAVCA welcomes the acknowledgement that small charities need different less onerous reporting requirements than those with considerably larger incomes. However, the guidance on whether charities in tiers one and two also need to consider if they meet other small company criteria to be exempt from other requirements is unclear. Whilst this is covered in SORP module 14, the current presentation of information over complicates things and introduces confusion where clarity is needed.

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)

As the SORP is being revised at the same time as the financial thresholds it makes sense to align tier 1 with the updated gross annual income threshold over which account auditing requirements apply. NAVCA recommends that this is raised in line with inflation to £1,500,000. We agree with the tier 2 level of £15m.

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

No

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

The presentation of the guidance is complex, cross references other requirements in other modules that impact that specific requirement, without sufficient further explanation. Given that for many charities in tier 1, the annual report will either be prepared by a trustee – a volunteer or one of a small number of paid staff who are unlikely to have significant expertise in formal charity reporting, each section must explain everything in full and clearly – stating simply all the information that should be contained within that section. Where information needs to be the same or relate directly in one or more places e.g. objectives and activities, section 1.23 references module 4, Tables 3 and 4 and section B, all the information needs to be in one place in the guidance. Where sections are linked then hyperlinks within the document need to be provided to the exact place in the guidance [and vice versa]. The lack of clarity is likely to result in poor quality information being supplied that do not meet the needs of the regulator or anyone else analysing the data.

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)

No Response

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?

No

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

Not in their current form. They are a useful tool but require greater clarity and careful definition of terms. The framing of the questions needs to be informed by the purpose of collecting the information and how it will be used by the Charity Commission and other statutory users. Not all the proposed questions seem that have a clear rationale for their inclusion. The timescale for implementation and the extent of changes that will be required will place a large additional burden on many charities.

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)

Tier 1: The information requested must be accompanied by very clear guidance as to what is required, how to frame a response to the questions, how detailed it needs to be.
A template for completion could help charities gather and present the required information in a consistent and more accurate way. Section 1.28 lists several different options as to how information could be presented, worked examples for charities of different sizes would help to gather more accurate and relevant information.
Tier 2: What is the purpose of collecting this data? How will it be used and by whom? What is a 'significant' activity and how is it understood? The terms used must be carefully defined.
Are trustees considered to be volunteers? How should their contribution be recorded?
Section 1.29 is a good example of a lack of specificity, the use of general words such as 'well' without accurately defining what is meant by this term.
1.30 would be better placed in another module.
1.31 The meaning of impact is often poorly understood. Very clear guidance will be needed or the information shared in this section is likely to be meaningless.
1.32 introduces three terms without explanation in relation to 'performance' which most charities would not understand in relation to their public benefit activities. This whole section needs to be represented to provide concise, clearly defined guidance, with worked examples and templates to complete.
These points illustrate why the threshold for tier 2 should be raised to £1.5m due to capacity issues.

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)

What is the purpose of collecting this data? How will it be used and by whom? This is not clear from the consultation.
It will be important to provide clear and accurate definitions for terms used, illustrate the requirements with worked examples for different sizes and types of charities, provide templates and guidance to ensure quality and consistency of data

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)

Are trustees considered to be volunteers for these purposes? They should be.

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?

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?

No Response

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

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?

Do not understand the position enough to comment

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?

No Response