

SORP and Summary financial information/key facts page - discussion briefing

Prepared by: Charities SORP-making body, May 2021

Purpose

To assist the engagement strands and SORP Committee reflect on the inclusion of a requirement to include a summary financial information/key facts page within a set of financial statements and to undertake a problem solving exercise to identify:

- the option(s) for changing the SORP to facilitate the inclusion of this information
- a preferred option with a recommendation as to what the change to the SORP should be, if any.

Reflection - what does the SORP say about a summary financial information/key facts page

The current SORP has no requirement to include a summary financial information/key facts page. The SORP sets out a number of requirements in relation to reporting of information both through the trustees annual report and also within the requirements for the SOFA and Balance Sheet and accompanying notes; there is no requirement however to summarise any key information from this separately.

For context the inclusion of a key facts page was included for consideration in the research exercise undertaken by the SORP making bodies in 2016. Overall the written responses received were not in agreement with the introduction of a key facts page; however it was noted that the responses at consultation events were broadly in favour. Written respondents considered that the inclusion of a key facts page would not be successful due to the diversity of charities and this may lead to unfair comparisons between charities. They also felt that charities would rely upon the key facts page and as such would not be encouraged to make their accounts as accessible as possible. Those in favour at consultation events generally considered it would allow users improved access to information and therefore improve their understanding of the information.

Following on from the research exercise the SORP committee agreed to consider the key facts page further and this was considered by the transparency working group. The transparency working group highlighted it could aid the understanding of the accounts and positively contribute to public interest. Their conclusion suggested that the key facts would be drawn from information requirements already in place to reduce any undue reporting burden, but they did not conclude if the key facts should be prescribed or if there should be flexibility.

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FRS 102 and the scope for changing the SORP to accommodate a summary financial information/key facts page

There would be no requirement to seek amendment to FRS 102 to allow for the inclusion of a summary financial information/key facts page. This would be a charity-specific requirement additional to the requirements of FRS 102.

Section 1- the thoughts emerging from the exploration stage

Engagement strands offered a number of thoughts:

Comments from the engagement strands regarding a summary financial information/key facts page were noted mainly from a user of the accounts perspective. The case put forward was that a key facts page would summarise data and allow uniformity which would be beneficial for comparability particularly amongst academics and regulators. It was highlighted that any document should be simple to prepare. There were comments regarding whether this was appropriate to be prepared by the charities or that this should be prepared by the Regulators.

Specific comments were as follows:-

- While there is some merit in introducing a 'key facts' page, this should not be mandatory. A requirement to summarise the achievements and plans of the charity in a few bullet points at the start of the Trustees' Annual Report might however be worth considering. (S&IE)
- A suggestion that a one-page towards front of accounts that might summarise key data and indicate the type of charity might be a beneficial uniformly available page for all readers – it should not be complicated and not extend beyond one page, like an info-graphic- our strand suggested templates that already exist. (L)
- The Charity Regulators should consider producing or mandating a two page summary of a charity's annual accounts and Trustees Annual Report, and share this publicly in a useable and accessible manner. (A&R&PPI)
- The SORP should encourage preparers to include a range of infographics to better inform readers of a charity's performance. Some data sets could be subject to a requirement in terms of format and presentation to ensure essential facts are communicated in a consistent manner to help understanding of a charity's performance and to aid benchmarking. (T)

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Engagement strand abbreviations

Smaller charities and independent examiners	S&IE
Larger charities	L
Charity trustees	T
Academics and regulators and proxies for public interest	A&R&PPI
Professional, audit and technical strand A	PTS(A)
Professional, audit and technical strand B	PTS(B)
Major funders, donors and government and public bodies	MFDGPB

Observations from the SORP Committee:

- The committee was of the view that this topic had been the subject of debate for some time. It might therefore be appropriate to consider this for SORP development.
- The summary could present a ‘snapshot’ of the financial performance and position of the charity as it can be difficult for some users of the accounts to understand the key messages because of the volume of information provided.
- There was a need to consider what the financial summary was intended to do. What would the objectives of such a summary be? Being prescriptive might prevent a charity from telling its story in the annual report and accounts. It would also be important to be able to provide relevant information to satisfy the objectives.
- The committee considered whether there would need to be a separate audit opinion on the summary. It noted that this topic was worthy of consideration, but it would be fraught with practical difficulties.

The SORP Committee will be having its own discussion about what needs to be done and taking the evidence and views from the process as a whole, the Committee will settle on a recommended approach for drafting the SORP based on the evidence presented.

Section 2: What needs to be done?

Step 1- Making the case for change - a ‘basis for conclusions’

There are a number of opinions arising in respect of the inclusion of a summary financial information/key facts page. A coherent case is needed to define whether a summary financial information/key facts page should be included and a rationale as to why this is appropriate for both sets of users – the reader and the preparer of the accounts. Full consideration is also required as to whether if included the summary financial information/key facts page should be mandated or optional; and if the information contained should be prescribed. Any consideration of the information to

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be included within a summary financial information/key facts summary would need to be mindful of differing reporting requirements which may result from different tiering options.

Step 2 - Identifying the change(s) required to the SORP

Having made the case for the inclusion of a summary financial information/key facts page the detailed changes required to the SORP need to be set out. Consideration should be given in as much detail as possible for the changes required to include summary financial information/key facts page. Where no detail is given, the assumption will be that the detail is left to the discretion of the SORP Committee and SORP-making body.

Deferred Step- Undertaking an assessment of the impact (savings or costs on the preparer and benefits or disadvantages to the reader)

The FRC will require an impact assessment but until the implications of change are fully worked through the SORP framework, the impact of the introduction of a summary financial information/key facts page is unlikely to be clear and so this will be deferred and considered at the drafting stage of the process.

Step 3 – Recommendation to the SORP-making body

The case made by each strand will inform the deliberations of the SORP Committee and so there needs to be a clear recommendation setting out:

- If the inclusion of a summary financial information/key facts page is considered to be appropriate and why
- Whether the key facts page would be mandated or optional.
- What information should be included in the summary financial information/key facts page; whether this be prescribed information (and if so what would that be) or whether the charity have flexibility over what is included.

(If two or more strands wish to provide a combined recommendation then this can be accommodated.)