

Minutes

Board Charities SORP Committee

Date 4 May 2022

Time 09:30 – 12:30

Venue Microsoft Teams

Joint Chair Laura Anderson *Office of the Scottish Charity Regulator (OSCR)*

Members present

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| Caron Bradshaw | <i>Charity Finance Group</i> |
| Michael Brougham | <i>Independent Examiner</i> |
| Daniel Chan | <i>PwC</i> |
| Tony Clarke | <i>Clarke & Co Accountants</i> |
| Tom Connaughton | <i>The Rehab Group</i> |
| Diarmaid Ó Corrbuí | <i>Carmichael Centre for Voluntary Groups</i> |
| Tim Hencher | <i>Scottish Council for Voluntary Organisations</i> |
| Noel Hyndman | <i>Queen's University Belfast</i> |
| Joanna Pittman | <i>Sayer Vincent</i> |
| Carol Rudge | <i>HW Fisher</i> |
| Jenny Simpson | <i>Wylie and Bisset LLP</i> |
| Neal Trup | <i>Neal Howard Limited</i> |

In attendance

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| Alison Bonathan | <i>CIPFA, Secretariat to the SORP Committee</i> |
| Gillian McKay | <i>CIPFA, Secretariat to the SORP Committee</i> |
| Sarah Sheen | <i>CIPFA, Secretariat to the SORP Committee</i> |

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| Observers | Deirdre O'Dwyer | <i>Charity Commission for England and Wales (CCEW)</i> |
| | Jelena Griszenko | <i>The Charities Regulator in Ireland</i> |
| | Claire Morrison | <i>Office of the Scottish Charity Regulator (OSCR)</i> |
| | Adrian Wallis | <i>Financial Reporting Council (FRC)</i> |
| | Amie Woods | <i>Charity Commission for England and Wales (CCEW)</i> |

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| Apologies | Gareth Hughes | <i>Diocese of Down and Connor</i> |
| | Rossa Keown | <i>Charity Commission for Northern Ireland (CCNI)</i> |
| | Will Lifford | <i>Charity Commission for England and Wales (CCEW)</i> |
| | Max Rutherford | <i>Association of Charitable Foundations</i> |

1. Welcome, apologies for absences and declarations of interest Action

- 1.1 The Chair welcomed SORP Committee Members to the meeting.
- The Chair noted the complexity of the topic of tiered reporting and that the Charities SORP Committee should aim to reach broadly agreed positions on the number of tiers and on the defining characteristics of the tiers during the meeting.
- The Chair noted that several Committee Members needed to leave the meeting at 12 noon, therefore the agenda would be reordered to allow for discussion of tiered reporting earlier in the meeting.

1.2 Declarations of interest

- 1.3 The Chair noted three standing declarations of interest:
- Daniel Chan sits on the CIPFA Charities and Public Benefit Entities Board.
- Sarah Sheen has worked substantially for CIPFA on the IFR4NPO project and is secretariat to the CIPFA Charities and Public Benefit Entities Faculty Board.
- Caron Bradshaw is a Country Champion for the IFR4NPO project.
- No other declarations of interest were noted.

2. FRC update – progress on periodic review and timing of new FRS 102

- 2.1 The representative from the FRC provided a brief update on the progress of the periodic review of FRS 102.
- The Committee was reminded of the amended timetable for the production of the new FRS 102, i.e. the effective date for the revised FRS 102 will not be before 1 January 2025. The FRC is aiming to produce an exposure draft before the end of the year. The Committee was reminded that the FRC's proposed timetable may be subject to change.

The Committee was advised that the FRC will be holding round table discussions on leases, revenue and the expected credit loss model. [Further details are available on the FRC's website.](#)

3. Paper 3 – SORP Drafting – Scope for Change/Reporting Requirements

3.1 The Chair invited the Secretariat to introduce Paper 3.

The Secretariat noted an error in the Appendix to Paper 3 and advised Committee Members that a revised version would be updated after the meeting.

The Secretariat highlighted that Annex 2 to Paper 3 would not be published with the meeting papers due to it duplicating some FRC content.

The Chair noted that discussions of Papers 3 and 4 would be based on the assumption that the FRC will not allow flexibility with respect to FRS 102 Section A as the FRC has not yet responded to the SORP-making body's submissions on FRS 102.

The Chair invited comments from Committee Members on Paper 3.

3.2 Paper 3: Chair's Summary of Discussions

The Committee discussed Paper 3. In summarising the key points from the discussions of Paper 3, the Chair noted that:

- Members of the Committee expressed the view that action should be taken, for charities with income less than £250k, to support charities in making an informed decision between using the SORP and the receipts and payments approach when preparing accounts. While this may require action beyond the scope of the SORP, the SORP could take steps to support this action.
- Complexity in the SORP may be reduced by the removal of optionality for smaller charities.
- Narrative reporting is a key area as it is important for the users of the accounts and provides the greatest scope for the Charities SORP Committee to recommend change.
- The structure of the SORP can be daunting. Digitisation and the use of questions to allow charities to tailor a digital version of the SORP to their needs were discussed.
- The audience for the Trustees' Annual Report (TAR) module in the SORP may be different to the audience for the other modules. Members of the Committee expressed the view that this should be considered when drafting to ensure the language used in the SORP is appropriate to the audience.
- The Committee discussed whether it would be possible to explain more clearly what Trustees should discuss under the various headings in the TAR. In particular, the Committee discussed the use of questions that might prompt Trustees to 'tell their story'. Further, the Committee discussed the importance of minimising use of jargon in the SORP.

- The needs of other stakeholders, such as funders, might be met through narrative reporting.
- Narrative reporting needs to be meaningful. Care should be taken to avoid the introduction of 'buzzwords', particularly if this leads to charities requiring support from consultants to produce a TAR.
- Charities' websites may have a role to play in narrative reporting, not all narrative content necessarily needs to sit in the TAR.

4. Paper 4: Tiered Reporting – Scenarios for discussion

4.1 The Chair introduced Paper 4.

The Chair noted that neither of Scenarios 2 or 3 represent the views of either the SORP-making body or CIPFA. Scenarios 2 and 3 have been presented to help the Charities SORP Committee explore the options for tiered reporting.

The Chair invited comments from the Committee.

4.2 **Paper 4: Chair's Summary of Discussions**

Discussion on the scenarios followed the introduction of Paper 4. In summarising the key points from the discussions of Paper 4, the Chair noted that:

- The Committee had reached some consensus.
 - It had been agreed that drafting should be based on three tiers.
 - One possible vision for three tiers would be that Tier 1 could allow for a reduction in complexity when compared to the existing SORP, while Tier 3 may contain additional requirements on narrative reporting (e.g. on sustainability) for larger charities.
 - The majority view was that the threshold between tiers 2 and 3 should be set at an income level of £10.2m in line with one of the three Companies Act 2006 criteria for a 'small' company.
- The difference between the definition for a charity's income and 'turnover' per the Companies Act 2006 was noted as a potential issue.
- With respect to the threshold between tiers 1 and 2, a combination of views were expressed for the SORP-making body to consider, but no majority view had been reached. Good arguments had been put forward for setting this threshold at:
 - £250k, as this aligns to the threshold for receipts and payments;
 - £500k, as this is the existing threshold and will capture more charities than a £250k threshold.
- The Committee expressed the view that thresholds should be aligned to existing thresholds (e.g. the threshold for use of receipts and payments, Companies Act 2006 thresholds) where possible to avoid overcomplicating the SORP.

- It was agreed that the SORP cannot entirely meet all needs of all users, therefore choices need to be made.
- Care is needed when discussing the £250k threshold for use of receipts and payments, as this is not necessarily an entry point into the SORP. Charities below the £250k threshold can, and do, use the SORP and will continue to do so in the future.
- Use of a fourth tier for 'super large' charities was discussed. Some members of the Committee expressed the view that if there is a valid reason to introduce a fourth tier, further consideration should be given to this idea. However, there is a need to avoid making requirements unduly complex. Members of the Committee expressed the view that it may be more suitable to consider 'super large' charities within the requirements for tier 3, making reference to external sources of regulation (such as the Companies Act 2006) where necessary.

4.3 **Paper 4: Alternative views**

The Chair noted that the tentative conclusion to establish the threshold between tiers 2 and 3 at an income level of £10.2m was not agreed unanimously. A minority view was to establish this threshold at £1m.

5. **Any other business including future Committee meetings**

5.1 **Future meetings**

Next meeting: 28 June 2022 (10am – 1pm)

Dates for future meetings will be arranged as soon as possible.

Joint Chairs/
CIPFA

5.2 **AOB**

The Chair advised the Committee that meeting minutes during the drafting stage will not be as detailed as minutes kept during earlier stages of the process. Minutes will contain the Chair's summary of discussions, together with any 'dissenting' views where majority, rather than unanimous, decisions are made. The minutes will also contain a disclaimer to avoid external parties placing undue reliance on the minutes following their publication, but before the publication of a formal consultation paper.

An update on the work of the IASB's SME Implementation Group (SMEIG) will be presented at the next meeting.

Joint Chairs/
CIPFA

Minutes from the meetings held on 2 March 2022 (Paper 1) and 16 February 2022 (Paper 2) will be agreed by correspondence. Comments on the minutes and notes should be sent to CIPFA by 23 May 2022.

Committee
Members

Minutes from the meeting held on 26 January 2022 were agreed by correspondence before this meeting.

The Chair thanked the Committee and closed the meeting.

Disclaimer

These Charities SORP Committee minutes have been developed during the drafting stage of the Charities SORP. They set out areas of agreement or otherwise and present the Charities SORP Committee advice to the joint SORP-making body. Charities should not treat this advice as being definitive for the production of the Charities SORP FRS 102 (Third Edition) which will be subject to due process including a detailed consultation.