

Report

To: Charities SORP Committee

From: Joint chairs of the SORP making body

Date: 5 October 2022

Subject: Narrative reporting in the Charities SORP: Summary financial information; Impact reporting; Sustainability reporting and Reserves

Purpose

The purpose of this report is to outline the suggested amendments to SORP module 1 and the rationale for the suggested amendments.

Report

1. Introduction

- 1.1 At its meetings on 1 December 2021 and 12 January 2022, the Charities SORP Committee discussed matters pertaining to content in the trustees' annual report in the Charities SORP. Specifically, the topics of summary financial information; impact reporting; sustainability reporting and reserves were discussed, having been identified as important topics during the previous stages of SORP development.
- 1.2 The Joint Chairs have prepared a draft module 1, Trustees' annual report, for the new Charities SORP based on the tentative advice provided by the Charities SORP Committee at these meetings and where more detail of the discussion was needed, the papers summarising feedback on the relevant topics.
- 1.3 The content of the Trustees' Annual Report as prescribed by the current SORP covers the requirements set out in Regulations, namely: [The Charities \(Accounts and Reports\) Regulations 2008](#) (E&W regulations) and [The Charities \(Accounts and Reports\) Regulations \(Northern Ireland\) 2015](#) (NI Regulations). (There are no specific requirements in [The Charities Accounts \(Scotland\) Regulations 2006](#) for narrative reporting within accruals accounts other than a requirement to comply with SORP.) The draft of module 1 for the new Charities' SORP has taken the same approach. The effect of this is that the requirements have not been significantly reduced and this is particularly so for tier 1 charities. However, a 'think small first' approach has been taken when drafting module 1 particularly in relation to the language used and, to some extent, in the structuring of the module.
- 1.4 Annex 1 to this report summarises the initial proposed amendments to the Charities SORP including the rationale for the proposals. Annex 2 includes the tentative advice by the Charities SORP Committee at earlier stages in the process. Appendix 1 includes the draft module as a clean version (to aid readability) with the proposed changes made. Appendix 2 presents the same modules in tracked changes so that the SORP Committee can identify new or revised content.
- 1.5 To illustrate how the module could be made more user-friendly, two draft structures have been included as Appendices 3 and 4. The content is the same as in Appendices 1 and 2 but the information has been structured differently to support discussion.

1.6 To aid discussion of the draft modules, questions for discussion have been included in this report and in Annex 1. Section 7 of this report sets out some information to provide context for the reader and the proposed questions/changes.

2. Working assumptions – tiered reporting

Number of tiers

2.1 Following the discussions of the Charities SORP Committee on 4 May 2022, the draft SORP module 1 has been prepared on the basis that there should be three tiers. The joint SORP making body decided for drafting purposes it would proceed with that working assumption.

Threshold for Tier 1, Tier 2 and Tier 3

2.2 While acknowledging that the Committee meeting did not reach a consensus for the threshold for tier 1, the joint SORP-making body was of the view that the balance of the discussion of the debate was in favour of the £500k threshold (though it is acknowledged that some Committee members had strong views for this tier threshold being at gross income levels of £250k). On this basis, the joint SORP-making body agreed that drafting would take place with a second working assumption of the tier 1 threshold being for gross income levels at £500k.

2.3 The threshold for tier 2 to tier 3 was set at the income level at the same amount as the small Companies Act 2006 threshold for turnover of £10.2m. It is recognised that complexities relating to the full size definition in the Companies Act 2006 (ie the balance sheet and employee thresholds, etc) need to be addressed before this threshold level is finalised

2.4 To avoid users of the SORP confusing SORP tiers with other thresholds for example thresholds under the Companies Act 2006, the draft modules refer to the tiers as tier 1, tier 2 and tier 3 (rather than small, medium and large).

- Tier 1 requirements have been drafted for charities falling below the £500k gross income.
- Tier 2 requirements have been drafted for charities falling between the tier 1 threshold for gross income and the higher threshold of £10.2m
- Tier 3 requirements have been drafted for charities with gross income higher than the £10.2m threshold.

3. Use of the terms 'must', 'should' and 'may'

3.1 The current SORP uses different terms to distinguish those requirements that must be followed in order to comply with the SORP from other recommendations which charities can opt to follow when preparing the trustees' annual report (paragraph 32). This is explained in paragraphs 33 to 35.

3.2 The wording of paragraphs 33 to 35 has not been amended and is as follows:

“33. This SORP uses the term 'must' to indicate those elements that are important to the reader of the trustees' annual report that must be included within the report or to identify particular accounting treatments, disclosures or presentational requirements that are likely to affect the ability of the accounts to give a true and fair view if not applied to material transactions or items. Where this SORP states that a recommendation is one which must be followed, non- adherence to that recommendation is a departure from this SORP.

34. This SORP uses the term 'should' for an item in the trustees' annual report or the accounts for those recommendations aimed at advancing standards of financial reporting as a matter of good practice. While charities are encouraged to follow all the SORP's recommendations, a failure to follow a 'should' recommendation with respect to the report or the accounts is not regarded as a departure from this SORP.

35. This SORP uses the term 'may' for an item in the trustees' annual report or an approach to a particular disclosure that a charity may choose to adopt or identifies that an alternative accounting treatment or disclosure of a transaction or event is allowed by the SORP. Charities may choose whether such examples or alternative treatments are adopted at their discretion.”

- (1) Does the Charities SORP Committee agree that paragraphs 33 to 35 do not need to be amended?**
- (2) If amendment is required, what are the recommended changes?**

4. Accounting regulations

- 4.1 As mentioned in the introduction to this paper, the content of the Trustees' Annual Report is partly based on Regulations so if the new Charities SORP is drafted on the same basis, there are limitations in terms of what can be excluded by charities when preparing their report.
- 4.2 To assist you when reviewing the revised Module 1, the 'tracked changes' version contains comments where a provision in the SORP comes from Regulations. If you use a 'simple markup' on the review tab (rather than a 'full markup') you will be able to identify the comments more easily. In addition, items highlighted in yellow in the draft Module are included in the 2015 SORP but not in the Regulations.
- 4.3 In the current SORP, the requirements under 'the additional content required of larger charities' include certain provisions which are required by the England and Wales Regulations. Some of the provisions apply to auditable charities (as indicated in the comments in the draft Module 1) and some apply to all charities. Where a smaller charity prepares its Trustees' Annual Report under the current SORP, it will not be meeting all the requirements under current regulations. The draft module has been prepared on the same basis and so could create a compliance problem for tier 1 charities.

- (3) Does the Charities SORP Committee have any advice on this issue?**
- (4) What is the Charities SORP Committee's view on whether these requirements should be included under tier 1 requirements?**

- 4.4 All but one of the 'must' requirements for tier 1 charities arise from Regulations and consequently, the requirements for tier 1 charities in the revised Module 1 are the same as under the current SORP.
- 4.5 The only requirement which is not contained in the regulations is the sentence in paragraph 1.28, "the methods used to recruit and appoint new charity trustees, including details of any constitutional provisions for appointment, for example election to post."

- (5) Does the Charities SORP Committee agree to retaining in the revised Module 1 the 'must' requirement to disclose "the methods used to recruit and appoint new charity trustees, including details of any constitutional provisions for appointment, for example election to post."**

- 4.6 In the revised Module 1, an additional 'must' has been added: The report must provide details of "the name of any person or body of persons entitled by the trusts of the charity to appoint one or more new charity trustees and a description of the method provided by those trusts for such an appointment". This arises from section 32(3)(i), the Charities (Accounts and Reports) Regulations (Northern Ireland) and also covers section 40(3),(i) the Charity (Accounts and Reports) Regulations 2008. As all sections in the regulations are included as 'musts', this has been included for consistency.

(6) Does the Charities SORP Committee agree to including this item as a ‘must’ requirement in the revised Module 1?

- 4.7 Paragraph 1.27 states: “If, at the date of approving the report and accounts, there are uncertainties about the charity’s ability to continue as a going concern, the nature of these uncertainties should be explained.” Although, this requirement is not in any of the regulations, ‘going concern’ is an under-lying principle of FRS 102. ‘Going concern’ also arose in the discussion of reserves, with the SORP Committee agreeing to link the discussion of reserves with ‘going concern’. Consequently, the requirement has been retained and remains a ‘should’ rather than a ‘must’

(7) Does the Charities SORP Committee agree that this requirement remains and is a ‘should’ rather than a ‘must’?

(8) Does the Charities SORP Committee consider the wording of this paragraph to be prescriptive enough to reflect paragraphs 3.8 and 3.9, FRS 102 or are there any suggested amendments?

5. Drafting suggestions relating to the structure or format of the SORP

- 5.1 The layout of module 1 uses a ‘building blocks’ approach such that the requirements for tier 1 charities are listed first; then requirements for tier 2 charities (who must also comply with tier 1 requirements); and then the requirements for tier 3 charities (who must comply with tier 1 and tier 2 requirements).
- 5.2 All the ‘must’ requirements have been highlighted in ‘bold’ print in the revised module 1. This is intended to assist a user of the SORP to see the ‘must’ requirements more clearly. There are many other ways of presenting the module in a format more accessible to trustees, for example, use of colour coding. This will need to be considered prior to publication.
- 5.3 To illustrate how the module could be made more user-friendly, 2 draft structures have been included in Appendix 3 and Appendix 4. The content is the same as in Appendix 1 and 2 but it has been structured differently.
- 5.4 Structure 1 uses text boxes to highlight the ‘must’ requirements for each tier. The content is unchanged.
- 5.5 Structure 2 collates the requirements for each tier under the various SORP headings. The content is the same except that heading above paragraph 1.14 has been changed to “Reporting by tier 1, tier 2 and tier 3 charities” and the content under this section has been amended slightly to avoid duplicating the headings. The content of structure 2, if adopted as the preferred presentation of Module 1, would need to be reviewed and amended to avoid duplication and to ensure that the paragraphs containing guidance are in an appropriate format.

(9) Does the Charities SORP Committee agree with the ‘building blocks’ approach or do members have any suggestions for a preferred approach?

(10) Of the 3 different formats provided for discussion (‘musts’ highted in BOLD; must requirements captured in text boxes; all tier requirements collated under headings), does the SORP Committee have a preferred approach or can members agree an alternative approach?

- 5.6 The production of an electronic version of the SORP can also be used to help make module 1 more accessible to trustees.

(11) Can the Charities SORP Committee provide any ideas or advice about a digital version of the SORP, particularly relating to Module 1?

- 5.7 In several paragraphs, the content/requirement has not changed but the language has been revised with the aim of improving the way in which module 1 is written and to help make the module more accessible to trustees. Members of the Charities SORP Committee are asked to consider these changes in the questions in Annex 1 to ensure that the changes are needed.

6. Tentative advice provided by the Charities SORP Committee

- 6.1 The tentative advice by the Charities SORP Committee at earlier stages in the process is summarised in Annex 2 below. The Joint Chairs produced the drafts of module 1 in response to this tentative advice.
- 6.2 The principal implications for the draft SORP for Modules 1, Trustees' Annual Report are:
- **Reserves:** amend the SORP to provide a clear definition of reserves (with an explanatory flowchart) and to include a requirement to support any figure quoted in the TAR to an explanatory note in the accounts. Link the discussion of reserves in the TAR more explicitly to the conclusion that the charity is a going concern or not.
 - **Impact reporting:** amend the SORP to provide an open question approach to enable the charity to report more easily on the difference they made.
 - **Sustainability reporting:** amend the SORP to enhance sustainability disclosures (detail to be decided later on in the drafting process) and decide the level of reporting required of the different tiers.
 - **Drafting considerations:** strengthening the text in module 1 to focus the preparer more explicitly on the layperson so that the preparer simplifies how some of the information is presented. Styling of module 1 must be accessible to trustees.

7. Proposed changes to the SORP following the Charities SORP Committee Advice

The key amendments made in response to earlier SORP Committee discussions as in paragraph 6.2 of this report are as follows:

Reserves

- 7.1 The definition of reserves (based on the definition in SORP 2005) has been reinstated and supplemented with a flow chart. This will be included in the Glossary to the SORP, see Appendix 5. A sentence has been added to require a reconciliation of the reserves calculation to figures in the financial statements and a new paragraph has been added to link the reserves calculation with 'going concern' consideration. Specific questions for members of the Charities SORP Committee are indicated in Annex 1.

Impact reporting

- 7.2 The impact reporting is now a requirement for all charities due to paragraph 1.22 in tier 1 charity requirements. An open question approach has been taken to help trustees to understand the requirement more easily. Use of infographics, statistics, beneficiary and volunteer testimonials is recommended as a way of communicating information on impact to users of the report. Specific questions for members of the Charities SORP Committee are indicated in Annex 1.
- 7.3 The additional impact reporting requirement for tier 2 and tier 3 charities (paragraph 1.45) is also a 'must' and charities are also asked to include details of indicators used to assess performance in relation to environmental or social issues (paragraph 1.46). Specific questions for members of the Charities SORP Committee are indicated in Annex 1.

Sustainability

- 7.4 Some references have been included to “environmental and social” issues in requirements for tier 2 charities, for example, when considering risk and there is a separate section on sustainability for tier 3 charities, see Annex 1 for specific questions.
- 7.5 Due to Sustainability being a fluid and changing topic, the detail to be included in the new SORP is to be considered later in the drafting process, as agreed in SORP committee meeting on 26 January 2022. The ‘Sustainability section (paragraphs 1.61 and 1.62) is for drafting purposes only and contains wording based on the 3 pillars of sustainability and the reporting requirements set out in BEIS ‘Mandatory climate-related financial disclosure by publicly quoted companies, large private companies and LLPs’, February 2022.

Drafting considerations

- 7.6 As explained in 5.4 above, the language has been revised with the aim of improving the way in which module 1 is written and to help make the module more accessible to trustees. Members of the Charities SORP are asked to consider these changes which are highlighted in Annex 1

Other Considerations

- 7.7 The ‘Implications for text’ section of the ‘SORP- reflection and problem solving – conclusions to date’ paper, states that the disclosure of legacies be revisited as a specific item in financial review section of module 1 to help users of the annual report and accounts in understanding the income received from legacies. A separate point has been included in the ‘Financial review’ section on this, paragraph 1.49. See Annex 1 for specific questions.
- 7.8 At the meeting on 28 September 2021 to discuss feedback on ‘Donated goods and services’, the SORP Committee agreed with engagement strand feedback to ask for disclosure on the number of volunteers. This has been included as a ‘may’ in paragraph 1.41 applying to tier 2 and tier 3 charities.
- 7.9 The conclusions on Support costs suggested a need to better align narrative reporting with reported expenditure. This has been reflected in the amendment to paragraph 1.49. See Annex 1 for specific questions.

The Charities SORP Committee is invited to consider the suggested amendments to module 1 of the Charities SORP as described in Annex 1 below and detailed in the draft module in Appendix 1.

- **The Charities SORP Committee’s is invited to respond to the questions outlined in Annex 1 below.**

(12) Are there any further changes the Charities SORP Committee believes are necessary to the module under consideration?

8. Paragraph references

- 8.1 Unless otherwise indicated, paragraph references in the table in Annex 1 refer to the paragraph numbers in the draft SORP modules presented as appendices to this report

Annex 1

ANNEX 1

Rationale for proposed amendments to the Charities SORP

This table is intended to be used alongside either Appendix 1 or Appendix 2, which contain relevant draft revised SORP extracts. Appendix 1 includes the draft revised SORP extracts with track changes on. Appendix 2 contains the draft revised text without track changes (for ease of reading).

Paragraph reference(s)	Amendment made	Reason for Proposed Amendment	Question for consideration
Various	References to “smaller charities” changed to “charities in Tier 1”.	Agreed by the Charities SORP Committee on 4 May 2022 to draft for three tiers.	There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.
1.1	Rephrased	Recommendation to improve the way module 1 is written to make it more accessible to trustees.	There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.
1.2	Paragraph 1.7 in the current SORP moved up to paragraph 1.2.	Recommendation to improve the way module 1 is written to make it more accessible to trustees.	There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.
1.3	First sentence rephrased. Second sentence retained. Third sentence moved to 1.4, see below. Fourth sentence moved to 1.5. First sentence of paragraph 1.11 of the current SORP, moved and included as final sentence of this paragraph.	Recommendation to improve the way module 1 is written to make it more accessible to trustees and to avoid duplication.	There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.
1.4	Third sentence of 1.2 of current SORP moved to this paragraph. Paragraph 1.12 (rephrased) of current SORP moved to this paragraph.	Recommendation to improve the way module 1 is written to make it more accessible to trustees and to avoid duplication.	There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.

Paragraph reference(s)	Amendment made	Reason for Proposed Amendment	Question for consideration
1.5	Fourth sentence of 1.2 of current SORP and second sentence of 1.11 of current SORP have been moved to this paragraph and rephrased.	Recommendation to improve the way module 1 is written to make it more accessible to trustees	There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.
1.6	New paragraph inserted “Stakeholders are increasingly wanting to understand how charities are responding to environmental matters and trustees should consider how their report can best address these expectations.”	General conclusion of SORP Committee to include some reporting in SORP on sustainability issues	There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.
1.7	Paragraph 1.3 of current SORP: second sentence deleted: “This module distinguishes those requirements that all charities must comply with from those more detailed reporting requirements applicable to larger charities”	There are now 3 tiers so this sentence no longer applies.	There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.
1.7	Added: “The reporting requirements are split between the 3 tiers to reflect the range of sizes of charity that are present in the sector. The reporting requirements are split between the 3 tiers as follows: <ul style="list-style-type: none"> • Charities in tier 1 must comply with the requirements in tier 1 • Charities in tier 2 must comply with the requirements in tier 1 and tier 2 • Charities in tier 3 must comply with the requirements in tier 1, tier 2, and tier 3. 	This has been amended to reflect the new tiers.	There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.
1.8	New paragraph inserted	To show the relevant paragraphs in the guidance for each tier.	There is no specific question on this paragraph. Committee Members are

Paragraph reference(s)	Amendment made	Reason for Proposed Amendment	Question for consideration
			invited to make comments or recommendations with respect to the suggested amendments.
1.9	First sentence of 1.5 of current SORP deleted. Second sentence of 1.5 of current SORP rephrased and moved to this paragraph.	Recommendation to improve the way module 1 is written to make it more accessible to trustees.	There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.
1.10	Final sentence of paragraph 1.11 current SORP moved to this paragraph.	Recommendation to improve the way module 1 is written to make it more accessible to trustees.	There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.
1.11	The paragraph was moved up to paragraph 1.10 and rephrased. It is further down in the current SORP, paragraph 1.33, SORP 2015.	As Module 1 has now been structured to provide detail to be included in Tier 1, Tier 2 and Tier 3, it was thought that this more general guidance would be better positioned in the introductory section. Rephrasing aiming to help the SORP to read better.	There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.
1.12	This is paragraph 1.8 of the current SORP that has been included here.	Recommendation to improve the way module 1 is written to make it more accessible to trustees.	There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.
1.13	This is paragraph 1.6 of current SORP but rephrased.	Amended to reflect new content and structure	There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.
Heading before paragraph 1.14	Amended original heading from "Reporting by smaller charities" to "Reporting by tier 1 charities"	This has been amended to reflect the new tiers.	There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with

Paragraph reference(s)	Amendment made	Reason for Proposed Amendment	Question for consideration
			respect to the suggested amendments.
1.14	Rephrased. See below for deletions.	This has been amended to reflect the new tiers and to improve the way module 1 is written.	There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.
1.14	Deleted “Smaller charities is a term used in the SORP to identify those charities with a gross income of £500,000 (UK) or 500,000 euros (Republic of Ireland) or less in the reporting period.”	All tiers will be defined elsewhere in SORP.	There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.
1.14	Deleted “This module uses the term ‘all charities’ to identify those elements of the report that both smaller and larger charities must provide.”	No longer a relevant term due to the use of tier 1, tier 2 and tier 3 charities	There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.
1.15	Final sentence: “Smaller charities are encouraged to include some or all of the additional information required of larger charities if the charity trustees consider such additional information relevant to their charity’s stakeholders.” replaced with “However, tier 1 charities are encouraged to include some or all of the additional information required of tier 2 and tier 3 charities if the charity trustees consider such additional information relevant to their charity’s stakeholders”	Amendment suggested to reflect the new tiers.	1. Does the Committee want the SORP to encourage tier 1 charities to include additional information required of both tier 2 and tier 3 charities where relevant to their charity stakeholders?
Heading above paragraph 1.16	Heading changed from “The content of the trustees’ annual report required of all charities” to “The content of the trustees’	Amendment suggested to reflect the new tiers.	There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with

Paragraph reference(s)	Amendment made	Reason for Proposed Amendment	Question for consideration
	annual report required of tier 1 charities”		respect to the suggested amendments.
1.16	Changed from “The SORP’s requirements that all charities must follow are set out in the following headings:” to “The SORP’s requirements that tier 1 charities must follow also apply to tier 2 and tier 3 charities and are set out in the following headings:”	Amendment suggested to reflect the new tiers.	There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.
1.18	Changed from “Larger charities must also refer to the section ‘The additional content required of larger charities’ for their report to be compliant with the SORP.” To “Tier 2 charities must also refer to the section ‘The additional content required of tier 2 charities’ for their report to be compliant with the SORP. Tier 3 charities must refer to the sections ‘The additional content required of tier 2 charities’ and ‘The additional content required of tier 3 charities’ for their report to be compliant with the SORP.”	Amendment suggested to reflect the new tiers.	There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.
1.19	Rephrased and ‘must’ requirement moved to separate paragraph, 1.20.	Recommendation to improve the way module 1 is written	There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments
1.20	New paragraph containing ‘must’ requirements and ‘All’ deleted.	Recommendation to improve the way module 1 is written	There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments
1.21	Northern Ireland included	This should also include Northern Ireland. Requirement of section 32(2)(b) & (c), the Charities (Accounts and Reports) Regulations (Northern Ireland)	There is no specific question on this paragraph.
1.22	“As far as practicable” deleted.	Recommendation to improve the way module 1 is written and to	There is no specific question on this paragraph.

Paragraph reference(s)	Amendment made	Reason for Proposed Amendment	Question for consideration
		make the module more accessible to trustees	Committee Members are invited to make comments or recommendations with respect to the suggested amendments.
1.22	This paragraph is cross referenced to Tables 2a and 2b and section B, Expenditure, Module 4.	In the discussion on support costs, the Chair noted that discussions made reference to how charities can be supported in telling their stories. The principles underpinning expenditure classification should reflect how the charity is functioning and what the charity does. This suggests the need for a clear link between the SORP modules on expenditure and the TAR.	There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.
1.22	Final sentence added: "This is important so that readers of the accounts gain a greater understanding of the detail in the financial statements."	Recommendation to improve the way module 1 is written and to make the module more accessible to trustees.	2. Do Committee members agree the amendment?
1.23	'Should' in the second sentence has been changed to 'must'	Feedback from the majority of the engagement strands was that all charities report the impact they make with greater detail provided by large charities	3. Do Committee Members agree that 'should' be changed to 'must' so that all charities must report on the impact they are making?
1.23	This paragraph has been amended to include an open question approach rather than stating the requirement.	The SORP Committee recommended that in relation to impact reporting, the approach should be changed to an open question addressed to all charities to report on the difference they made.	4. Are Committee Members happy with the revised wording or would they like to see more questions included?
1.23	The following sentence has been added to the end of the paragraph "Use of infographics, statistics, beneficiary and volunteer testimonials may help communicate this information to readers."	Conclusions on 'Summary of Key Facts' looked to strengthen the text in module 1 to focus the preparer more explicitly on the layperson so that the preparer simplifies how some of the information is presented and to ensure styling of module 1 is accessible to trustees.	5. Do Committee Members agree that this additional guidance be included?

Paragraph reference(s)	Amendment made	Reason for Proposed Amendment	Question for consideration
		This additional guidance is intended to fulfil these outcomes. Furthermore, the trustees' engagement strand recommended that the SORP should encourage the use of infographics.	
1.24	Additional sentence added "Numerical detail should be consistent with the figures in the charity's financial statements where appropriate."	Paragraph 2.2, of 'SORP- reflection and problem solving – conclusions to date' agreed to look at the link between the report and accounts, and the way the module is written so it can be better followed by trustees. This sentence was added to remind trustees to link the narrative information to the numerical information and to ensure that numerical detail provided in the TAR ties in with the accounting information.	6. Do SORP Committee members agree this change?
1.25	Definition of reserves included in glossary, see separate sheet	There was general support within the Committee to reinstate the former 2005 definition within the glossary. The Committee also supported the use of a flow chart in the explanation in the SORP on defining reserves.	7. Does the SORP Committee agree this change and with the draft definition to be included in the glossary?
1.25	The following sentence has been included "The reserves calculation should reconcile to figures in the financial statements and this should be shown in a note to the financial statements, either in the funds note or as a separate note."	The 'reflection and problem solving – conclusions to date' paper states "There is a consensus that the numbers for free reserves used within the trustees' annual report should link clearly to the figures within the accounts"	8. Does the SORP Committee agree that this 'should' be included and with the wording? 9. Should this be a 'must' rather than a 'should'?
1.26	Paragraph moved up to keep all the 'must' requirements together	Recommendation to improve the way module 1 is written	There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.
1.27	New paragraph inserted: "The charity should clearly explain how the level of reserves relates to their going concern note. For	Implications for text highlighted in the 'reflection and problem solving – conclusions to date' paper concluded that the discussion of	10. Does the SORP Committee agree

Paragraph reference(s)	Amendment made	Reason for Proposed Amendment	Question for consideration
	example, if the charity has negative reserves (as defined in the glossary), it should explain why it is still operating as a going concern.”	reserves should be linked more explicitly to the conclusion that the charity is a going concern or not.	that this sentence be included? 11. Should this requirement be applicable to charities in tier 1?
1.29	Bullet point added “the name of any person or body of persons entitled by the trusts of the charity to appoint one or more new charity trustees and a description of the method provided by those trusts for such an appointment;”	Requirement of section 32(3)(i), the Charities (Accounts and Reports) Regulations (Northern Ireland)	12. Does the SORP Committee agree that this point be included for all charities or should it only apply to charities preparing accounts under the Northern Ireland regulations?
No changes made to paragraphs 1.30 to 1.33			
1.34	Final sentence amended as follows: “In Scotland and Northern Ireland, there are also provisions under charity law for such information to be excluded.”	Exemptions also apply to Northern Ireland.	There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.
Heading above paragraph 1.37	The heading has been changed from “The additional content required of larger charities” to “The additional content required of tier 2 charities”	Amendment suggested to reflect the new tiers.	There is no specific question on this. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.
1.37	Amended to reflect the use of tier 1, tier 2 and tier 3 rather than “all” and “large charities”.	This has been amended to reflect the new tiers.	There is no specific question on this. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.
1.37	“reference and administrative details” – bullet point removed	Reducing the disclosure requirements for smaller charities. Now included for tier 3 charities.	13. Does the SORP Committee agree that these requirements apply only to tier 3 charities?

Paragraph reference(s)	Amendment made	Reason for Proposed Amendment	Question for consideration
1.38	Rephrased	Recommendation to improve the way module 1 is written	There is no specific question on this. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.
1.39	In the current SORP, this paragraph is below the 'must' requirements (paragraph 1.39 of draft). It has now been moved above and rephrased slightly.	Recommendation to improve the way module 1 is written	There is no specific question on this. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.
1.39	Replaced "larger" with "Charities meeting tier 2 requirements"	This has been amended to reflect the new tiers.	There is no specific question on this. Committee Members are invited to make comments or recommendations with respect to the suggested amendments
1.39	Added "including any environmental or social objectives where relevant"	General conclusion of SORP Committee to include some reporting in SORP on sustainability issues.	14. Does the SORP Committee agree this amendment?
1.40	Opening sentence 'larger charities' deleted	This has been amended to reflect the new tiers.	There is no specific question on this. Committee Members are invited to make comments or recommendations with respect to the suggested amendments
1.40	Rephrased and omitted "how the achievement of its aims will further its legal purposes" (covered in paragraph 1.19, Objectives and activities, Tier 1 charities)	Recommendation to improve the way module 1 is written, using questions to gather information rather than statements and avoiding duplication.	There is no specific question on this. Committee Members are invited to make comments or recommendations with respect to the suggested amendments
1.42	Included an extra bullet point "information on the number of volunteers"	The engagement strands provided feedback in support of disclosing information about the number of volunteers in an organisation. The SORP Committee agreed with this feedback.	15. Does the SORP Committee agree this addition? 16. Items in paragraph 1.41 are currently 'may' items. Does

Paragraph reference(s)	Amendment made	Reason for Proposed Amendment	Question for consideration
			the SORP Committee agree that this item also be included as a 'may'?
1.43	Rephrased	Recommendation to improve the way module 1 is written	There is no specific question on this. Committee Members are invited to make comments or recommendations with respect to the suggested amendments
1.44	Removed first 2 bullet points: <ul style="list-style-type: none"> - the significant charitable activities; - the achievements against objectives; 	Already covered in 1.39, in 'Objectives and activities'.	17. Does the SORP Committee agree the amendment?
1.44	Moved the following out of tier 2 requirements and into tier 3 Paragraph 1.57): <ul style="list-style-type: none"> • the performance of material fundraising activities against the fundraising objectives; • if material expenditure was incurred to raise income in the future, the report must explain the effect this expenditure has had, and is intended to have, on the net return from fundraising activities for both the reporting period and future periods 	To reduce disclosure requirements for smaller charities	18. Does the SORP Committee agree the amendment?
1.45	Rephrased the first sentence to include environmental and social objectives.	General conclusion of SORP Committee to include some reporting in SORP on sustainability issues.	19. Does the SORP Committee agree the amendment?
1.45	Additional sentence added "Use of infographics and statistics may help communicate this information to readers."	Conclusions on 'Summary of Key Facts' looked to strengthen the text in module 1 to focus the preparer more explicitly on the layperson so that the preparer simplifies how some of the information is presented and to	20. Does the SORP Committee agree this additional sentence?

Paragraph reference(s)	Amendment made	Reason for Proposed Amendment	Question for consideration
		ensure styling of module 1 is accessible to trustees.	
1.46	Rephrased and 'may' changed to 'must'	<p>Conclusions on 'Summary of Key Facts' looked to strengthen the text in module 1 to focus the preparer more explicitly on the layperson so that the preparer simplifies how some of the information is presented and to ensure styling of module 1 is accessible to trustees.</p> <p>Feedback from the majority of the engagement strands was that all charities report the impact they make with greater detail provided by large charities</p>	<p>21. Does the SORP Committee agree the amendments?</p> <p>22. Do SORP Committee members agree the change from a 'may' to a 'must'?</p>
1.47	Rephrased and environmental and social aspect incorporated.	Recommendation to improve the way module 1 is written and general conclusion of SORP Committee to include some reporting in SORP on sustainability issues.	<p>23. Does the SORP Committee agree the amendment?</p> <p>24. Does the SORP Committee agree that this be applied to tier 2 and tier 3 charities only or should this be expected of tier 1 charities?</p>
1.49	Deleted "the financial effect of significant events"	NI regs require "a review of the charity's financial position at the end of the year". This is covered in paragraph 1.23 "The report must contain a review of the charity's financial position at the end of the reporting period. Numerical details should be consistent with the figures in the charity's financial statements" So this bullet point has been deleted to avoid duplication.	25. Does the SORP Committee agree the amendment?
1.49	Deleted "where the charity holds material financial investments, the investment policy and objectives set"	England Wales Regs require a statement regarding the performance of the charities' investments in the year (No requirement in Scotland or NI regs). This is covered by	26. Does the SORP Committee agree the amendment?

Paragraph reference(s)	Amendment made	Reason for Proposed Amendment	Question for consideration
		paragraph 1.43 above so this bullet point removed.	
1.49	Moved the following out of tier 2 requirements and into tier 3 Paragraph 1.58): <ul style="list-style-type: none"> any factors that are likely to affect the financial performance or position going forward 	To reduce disclosure requirements for smaller charities	27. Does the SORP Committee agree the amendment?
1.49	The bullet point on risks includes a specific reference to environmental risks.	General conclusion of SORP Committee to include some reporting in SORP on sustainability issues	28. Does the SORP Committee agree the amendment?
1.50	Rephrased the opening sentence from “The financial review should also explain:” to “The financial review should also provide a narrative explanation of:” and the first bullet point from “the principal funding sources of the charity in the reporting period and how these resources support the key objectives of the charity” to “the principal sources of income of the charity in the reporting period and how these resources have been spent to support the key objectives of the charity”	Recommendation to improve the way module 1 is written and the ‘reflection and problem solving – conclusions to date’ paper states that there is a need to better align narrative reporting with reported expenditure.	29. Does the SORP Committee agree the amendment?
1.50	Additional bullet point “where legacies are a material source of income for the charity, how the income is shown in the financial statements, for example, to help users of the accounts to understand that a legacy may be recognised as income before the resources have been received;”	Implications for text highlighted in the ‘reflection and problem solving – conclusions to date’ paper stated that the disclosure of legacies as a specific item in financial review section of module 1 should be revisited. One of the tentative conclusions reached was that the Trustees’ Annual Report could clarify issues around legacies being accounted for before the resources have been received.	30. Does the SORP Committee agree the amendment? 31. Does the SORP Committee agree that this be applied to tier 2 and tier 3 charities only?
1.51	The ‘should’ has been changed to a ‘must’. Bullet point 5 shortened as definition of reserves to be included in glossary. Also a	This is a requirement in the England and Wales Regs so changed to a ‘must’ to reflect this.	There is no specific question on this. Committee Members are invited to make comments or recommendations with

Paragraph reference(s)	Amendment made	Reason for Proposed Amendment	Question for consideration
	'should' to reconcile the reserves figure to the financial statements in a note is included and a cross reference to paragraphs 1.23 and 1.24.	There was general support within the Committee at the meeting on 8 July 2021 to reinstate the former 2005 definition within the glossary and there was a preference that any presentation of reserves be provided within a note to the financial statements.	respect to the suggested amendments.
1.51	<p>Moved the following out of tier 2 requirements and into tier 3 (paragraph 1.59):</p> <ul style="list-style-type: none"> • state the amount of the total funds the charity holds at the end of the reporting period; • identify the amount of any funds which are restricted and not available for general purposes of the charity at the end of the reporting period; • identify the amount of any fund that can only be realised by disposing of tangible fixed assets or programme related investments; and • compare the amount of reserves with the charity's reserves policy and explain, where relevant, what steps it is taking to bring the amount of reserves it holds into line with the level of reserves identified by the trustees as appropriate given their plans for the future activities of the charity. 	To reduce disclosure requirements for smaller charities	32. Does the SORP Committee agree the amendment?
1.54	<p>Moved the following out of tier 2 requirements and into tier 3 (paragraph 1.59):</p> <ul style="list-style-type: none"> • the charity's organisational structure and, where 	To reduce disclosure requirements for smaller charities	33. Does the SORP Committee agree the amendment?

Paragraph reference(s)	Amendment made	Reason for Proposed Amendment	Question for consideration
	<p>relevant, those of its subsidiary undertakings;</p> <ul style="list-style-type: none"> • how the charity makes decisions, for example which types of decisions are taken by the charity's trustees and which are delegated to staff; • the arrangements for setting the pay and remuneration of the charity's key management personnel and any benchmarks, parameters or criteria used in setting their pay; • if the charity is part of a wider network (for example if it is affiliated with an umbrella group), how, if at all, this impacts on the operating policies adopted by the charity; and • relationships between the charity and related parties, including its subsidiary undertakings, and with any other charities and organisations with which it co-operates in the pursuit of its charitable objectives. 		
1.55	<p>Inserted "Tier 3 charities in compiling their report must meet the requirements placed on tier 1 and tier 2 charities as set out above and also provide the additional information detailed under the following headings:</p> <ul style="list-style-type: none"> • Achievements and performance • Financial review • Structure, governance and management 	<p>To insert the additional requirements and content for Tier 3 charities.</p>	<p>There is no specific question on this. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</p>

Paragraph reference(s)	Amendment made	Reason for Proposed Amendment	Question for consideration
	<ul style="list-style-type: none"> • Reference and administrative details • Sustainability” 		
Heading above 1.56	Heading inserted “Achievements and performance”		
1.56	<p>Moved the following requirements which applied to larger charities in the current SORP under tier 3 requirements in the revised SORP:</p> <ul style="list-style-type: none"> • the performance of material fundraising activities against the fundraising objectives; and • if material expenditure was incurred to raise income in the future, the report must explain the effect this expenditure has had, and is intended to have, on the net return from fundraising activities for both the reporting period and future periods. 	To reduce disclosure requirements for smaller charities	Discussed, 1.43 above.
1.57	<p>Moved the following requirement which applied to larger charities in the current SORP to tier 3 requirements in the revised SORP: The report must explain “any factors that are likely to affect the financial performance or position going forward.”</p>	To reduce disclosure requirements for smaller charities	Discussed at 1.48 above.
1.58	<p>Moved the following requirements which applied to larger charities in the current SORP under tier 3 requirements in the revised SORP:</p> <ul style="list-style-type: none"> • state the amount of the total funds the charity holds at the end of the reporting period; • identify the amount of any funds which are restricted and not available for 	To reduce disclosure requirements for smaller charities	Discussed at 1.50 above

Paragraph reference(s)	Amendment made	Reason for Proposed Amendment	Question for consideration
	<p>general purposes of the charity at the end of the reporting period;</p> <ul style="list-style-type: none"> • identify the amount of any fund that can only be realised by disposing of tangible fixed assets or programme related investments; and • compare the amount of reserves with the charity's reserves policy and explain, where relevant, what steps it is taking to bring the amount of reserves it holds into line with the level of reserves identified by the trustees as appropriate given their plans for the future activities of the charity. 		
1.59	<p>Moved the following requirements which applied to larger charities in the current SORP under tier 3 requirements in the revised SORP:</p> <p>The report must provide the user with an understanding of how the charity is constituted, its governance and management structures, and how its trustees are trained. In particular, the report must explain:</p> <ul style="list-style-type: none"> • the charity's organisational structure and, where relevant, those of its subsidiary undertakings; • how the charity makes decisions, for example which types of decisions are taken by the charity's trustees and which are delegated to staff; • the arrangements for setting the pay and remuneration of the charity's key management 	To reduce disclosure requirements for smaller charities	Discussed at 1.53 above

Paragraph reference(s)	Amendment made	Reason for Proposed Amendment	Question for consideration
	<p>personnel and any benchmarks, parameters or criteria used in setting their pay;</p> <ul style="list-style-type: none"> • if the charity is part of a wider network (for example if it is affiliated with an umbrella group), how, if at all, this impacts on the operating policies adopted by the charity; and • relationships between the charity and related parties, including its subsidiary undertakings, and with any other charities and organisations with which it co-operates in the pursuit of its charitable objectives. 		
Heading above 1.60	Heading inserted "Reference and administrative details"	Moved the following requirements which applied to larger charities in the current SORP under tier 3 requirements in the revised SORP	There is no specific question on this.
1.60 – 1.61	<p>Moved from 'larger charities' section in current SORP (old SORP paragraphs 1.52 and 1.53) to tier 3 charity requirements in revised SORP:</p> <p>The report must state to whom the trustees' delegate day-to-day management of the charity and from whom trustees are taking advice. In particular, the report must provide:</p> <ul style="list-style-type: none"> • the name of any chief executive officer or other senior management personnel to whom the charity trustees delegate day-to-day management of the charity on the date the report was approved or who served in such a position in the reporting period in question; and 	To reduce disclosure requirements for smaller charities	34. Does the SORP Committee agree that these requirements only apply to tier 3 charities?

Paragraph reference(s)	Amendment made	Reason for Proposed Amendment	Question for consideration
	<ul style="list-style-type: none"> the names and addresses of any other relevant organisations or persons providing banking services or professional advice to the charity, including its solicitors, auditor and investment advisers. <p>Certain details may be withheld where the criteria for exemption from disclosure, as set out in the 'Exemptions from disclosure', are met.</p>		
Heading above 1.62	'Sustainability'		
1.62	New paragraph has been inserted	General conclusion of SORP Committee to include some reporting in SORP on sustainability issues	There is no specific question on this. Committee Members are invited to make comments or recommendations with respect to the suggested amendments
1.63	New paragraph has been inserted	General conclusion of SORP Committee to include some reporting in SORP on sustainability issues	There is no specific question on this. Committee Members are invited to make comments or recommendations with respect to the suggested amendments
Heading above 1.64	Parent charities	Inserted to reflect new content and structure	There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.
1.64	Paragraph 1.33 of current SORP moved to this paragraph.	Recommendation to improve the way module 1 is written to make it more accessible to trustees.	There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.

Paragraph reference(s)	Amendment made	Reason for Proposed Amendment	Question for consideration
Heading above 1.65	Charitable companies	Inserted to reflect new content and structure	There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.
1.65	Paragraph 1.4 of current SORP included as this paragraph.	Recommendation to improve the way module 1 is written to make it more accessible to trustees.	There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.
1.66	Final paragraph of paragraph 1.5 current SORP included as separate paragraph, 1.15.	Recommendation to improve the way module 1 is written to make it more accessible to trustees.	There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.

ANNEX 2
Extract of Table Presented at the 16 February 2022 Meeting of the SORP Committee

Topic (date reviewed)	Tentative conclusions reached	Implications for the text
Reserves reporting (8 July 2021)	<p>There was general support within the Committee to reinstate the former 2005 definition within the glossary. Guidance that might help all stakeholders understand what reserves represent may be useful. There is a consensus that the numbers for free reserves used within the trustees' annual report should link clearly to the figures within the accounts.</p> <p>The Committee agreed that the information on reserves in the trustees' annual report needed to agree with the information in the accounts (otherwise an appropriate explanation/reconciliation should be provided either in the notes or within the balance sheet). (Subject to a caveat agreed:)</p> <ul style="list-style-type: none"> • Agree to linking the explanation of the reserves figure(s) in the trustees' annual report to the accounts (also see sections 3 and 4 of the report). • Agree to having financial sustainability focus for reporting reserves with common reporting requirements for all tiers of charity reporting under the SORP with the detail settled in the drafting stage. • Agree to simplifying, wherever possible, the terminology used in defining reserves and reporting on reserves <p>Caveat: with the caveat about how financial sustainability should be expressed and that this should include commentaries on other resources such as credit available and cash held.</p> <p>The view held by the Committee was that it was difficult to separately present reserve amounts on the face of the balance sheet. Commentaries also included that charities were already free to separately present this information on the face of the balance sheet and take their own decision on how they might consider reserves would be best presented, for example, offering a split between designated and general funds. There was broad agreement that achieving an effective presentation of reserves would be best offered in the notes. In summary, the Committee did not support a new statement. The Committee would therefore prefer that any presentation of reserves is provided as demonstrated within a note to the financial statements.</p> <p>There is a lack of understanding as to what reserves are. The Committee considered that it needed to be mindful that there are limitations as to what the SORP can achieve in this area. The Committee decided not to recommend that there should be additional reporting requirements and no additional amounts reported in the trustees' annual report. However, if a number is</p>	<p>Reinstate a definition of reserves</p> <p>Require any number quoted in the report to be referenced to an explanatory note in the accounts.</p> <p>Link the discussion of reserves more explicitly to the conclusion that the charity is a going concern or not.</p> <p>Review terminology used in the SORP.</p> <p>Develop a reserves note</p>

Topic (date reviewed)	Tentative conclusions reached	Implications for the text
	<p>used in the trustees' annual report on reserves a clear explanation should be provided for how it was estimated.</p> <p>The Committee made the following comments:</p> <ul style="list-style-type: none"> • the SORP already signposts other sources this can be used provided that the signposting and other resources are consistent with FRC Policy on the Development of SORPs, • it supported the use of flow charts in this area • it was of the view that examples should not be included in the SORP, but other forms of guidance would be more relevant/useful. It was agreed that the reporting basis (ie a going concern basis of reporting) was a clear distinction for the reporting of reserves and was key to its understanding. 	<p>Incorporate a flow chart in the explanation in the SORP on defining reserves.</p>
<p>Summary (key) facts (8 July 2021)</p>	<p>The Committee was of the view that the case for change had not been made. Such proposals were 'fraught with difficulties', particularly deciding what would be reported in a Summary Financial Information/Key Facts Page. Charities are so diverse that it is hard to say what is key to one would be key to another.</p> <p>It was agreed that there is no case for change based on the feedback from the engagement stands, but there may be the case to improve the instructions in the SORP to assist with the interpretation for the layperson and to simplify how some of the information is presented. Although it might be the case that such change should emanate from effective reporting in the trustees' annual report. Perhaps encouragement to improve presentation should be included in the SORP rather than the introduction of additional reporting requirements. Trustees need to be able to use the SORP, primarily it is aimed at those readers who understand accounting concepts and terminology, except Module 1 that is aimed at trustees. Perhaps the Committee could consider making recommendations for drafting that part of the SORP and aim it at trustees with less financial reporting experience and highlighting the need to present summary financial information and key facts in the trustees' annual report in such a way that it is easily accessible to the users of the accounts.</p> <p>The Committee noted that this information is already covered in the trustees' annual report. From a funders' perspective, the key facts page will not help them make economic decisions. The Committee considered who this information was aimed at. It expressed the view that it was aimed at people like journalists who wish to use it, but concerns were raised that such information may be used out of context.</p>	<p>Look to strengthen the text in module 1 to focus the preparer more explicitly on the layperson so that the preparer simplifies how some of the information is presented.</p> <p>Ensure styling of module 1 is accessible to trustees.</p>

Topic (date reviewed)	Tentative conclusions reached	Implications for the text
Accounting for legacies (9 September 2021)	<p>Extract relevant to trustees' annual report</p> <ul style="list-style-type: none"> • additional disclosure and/or commentary in the Trustees' Annual Report may better allow a charity to help users of the annual report and accounts in understanding the income received from legacies. However, balance is needed to avoid creating an unwieldy annual report. This matter can be reflected on again at drafting stage when it is possible to think about the Trustees' Annual Report in totality. 	Revisit the disclosure of legacies as a specific item in financial review section of module 1.
Donated goods and services (28 September 2021)	<p>Extract relevant to trustees' annual report</p> <p>The engagement strands did provide feedback in support of disclosing information about the number of volunteers in an organisation. The SORP Committee agreed with this feedback.</p>	-
Impact reporting (22 October 2021)	<p>Committee members:</p> <ul style="list-style-type: none"> • were supportive of a change in language to emphasise what the charity has done and the difference it has made, as this will mean more to Trustees • were keen to keep language simple and to express the requirements in a way that discourages 'boilerplate reporting' • the tentative view that reporting on the difference made be asked of all charities • suggested that the reporting requirements needed to structure the charity's 'story' with: <ul style="list-style-type: none"> ○ a beginning, including how the charity planned its activities, ○ a middle, including a description of the activities that took place, and ○ an end, including the results of the activities. <p>The Chair reflected on the appetite for increased guidance, while acknowledging the need for caution when issuing guidance to avoid charities viewing guidance as being authoritative.</p> <p>On the proposals for tiered reporting, the Chair noted the need for any approach to be proportionate if it applies to all charities (all tiers). There is a need for more accessible language for the specifications of the SORP which are aimed at smaller charities. Potentially more technical language can be adopted in guidance and requirements for larger charities.</p>	<p>Change the approach to an open question addressed to all charities to report on the difference they made.</p> <p>A greater level of detail to be required of the larger tier(s) in reporting.</p>

Topic (date reviewed)	Tentative conclusions reached	Implications for the text
Support costs (1 December 2021)		Module 1 – a need to better align narrative reporting with reported expenditure.
Sustainability reporting	<p>The Chair noted that a consensus had not been reached and there is a need to see how the wider debate on sustainability reporting evolves.</p> <p>A Committee Member noted that sustainability reporting is clearly a topic that people think is important, therefore the Committee’s work in this area will be subject to scrutiny. Therefore, the SORP must contain something on sustainability reporting, otherwise the SORP would be obsolete. This is an evolving area in which the ‘direction of travel’ is likely to increase, rather than reduce, the amount of reporting required.</p> <p>A Committee Member expressed the view that the choice should not be between whether to include sustainability reporting in the SORP. Rather, the choice should be the extent to which sustainability reporting is covered in the SORP.</p> <p>The Chair expressed a reluctance to mandate reporting beyond narrative reporting. However, the Chair suggested that the SORP should be encouraging charities to report more than they currently are, not least because this is in the interest of the charities as stakeholders increasingly look for information on sustainability.</p> <p>The Secretariat commented that it would be helpful to draft requirements on sustainability reporting towards the end of the drafting stage and reflected that several Committee Members had suggested only narrative reporting should be required of smaller charities. It raised the question of what requirements would be needed for medium and larger charities. The Secretariat commented that it might be easier to decide this when the wider external debate on sustainability reporting has developed further</p> <p>The Chair summarised that doing nothing is not an option and that the sector should be seen to be making more disclosure than it currently does. However, the Chair noted that it is difficult to agree on what will and done and that there is a need for balance to avoid over-mandating requirements for smaller charities.</p> <p>The Chair noted that leaving this topic towards the end of drafting may help to provide clarity as this will allow time for the wider debate on sustainability reporting to develop further.</p>	- Highly likely that there will be changes to the SORP in this area. However at this stage it remains unclear what these changes will look like.