

## **SORP Committee**

### **Minutes of the SORP Committee Meeting of 13 June 2008 (Approved at the 17 October 2008 SORP Committee Meeting)**

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Present:

Andrew Hind, Chair of the SORP Committee  
Kirsty Gray, Deputy Chair of the SORP Committee  
Debra Allcock Tyler  
Tidi Diyan  
Pesh Framjee  
Peter Gotham  
John Graham  
Chris Harris  
Keith Hickey  
Noel Hyndman  
Ray Jones  
Lynne Robb  
Kate Sayer  
Paul Spokes

In attendance:

Nigel Davies, Secretary to the SORP Committee  
Alan O'Connor, Accounting Standards Board  
Andrew Lennard, Chair, CAPE Committee, ASB

Apologies:

Tris Lumley  
Catriona Scrimgeour  
Carol Rudge

#### **Item 1: Chairman's opening remarks and matters arising**

1.1 The Chairman opened the meeting and welcomed Lynne to her first meeting as a new Committee member and Andrew Lennard, Chair of CAPE, as an observer to the meeting.

#### **Item 2: Approval of the minutes and matters arising**

2.1 The minutes of the meeting of the 25 January 2008 were considered and approved. Matters arising from the minutes were the publication of the second Information Sheet which has now been published on the Commission's website and the reprint of SORP 2005. The reprint includes the new introduction and amendments arising from changes to charity and company law and is being produced by CCH and is due for publication later in June 2008.

2.2 SORP Secretariat to prepare and circulate a form of words describing the reprint for SORP Committee members to use in publicising the SORP. It was also noted that a redesign of the accountancy pages on the Commission's website might better assist access to guidance, for example, the recently published Information Sheet.

### **Item 3: Feedback from the Stakeholder Forum**

3.1 Nigel Davies summarised the paper and recapped on the event, noting the very good overall feedback from delegates with over 153 pieces of written feedback on possible changes to the SORP. Although over 100 delegates attended, funders were sparsely represented with only 13 delegates attending from 57 invitations. Preparers and auditors comprised approximately 70% of the delegates. The only major criticism from delegates was that insufficient time was given for debate.

3.2 The four questions posed to the discussion groups had brought out some common themes:

- a desire for accounts to be less complex;
- an emphasis to be given to the needs of smaller charities;
- the need for greater understanding of receipts and payments accounting; and
- educating donors and funders about using the reports and accounts in place of bespoke monitoring arrangements.

3.3 The 'post it note' exercise succeeded in identifying a range of matters that might be removed from the next SORP as well as a number of additional matters that could be addressed. The feedback indicated controversy over the valuation of volunteers.

3.4 The Committee was concerned that government funders were relatively poorly represented at the forum and discussed how best to engage funders in the process. It was noted that many funders, Local Authorities in particular, seemed to rely on imposing their own additional reporting requirements rather than relying on charity reports and accounts. A separate funders roundtable was discussed including representation from audit bodies, LGA, IDeA, Treasury and Government Departments, the Compact Commission and non-government funders.

3.5 Considering the other issues raised by the feedback from the Forum, the Committee concluded that:

- the notion of 'modified accruals' could not be supported as a hybrid approach to accounting;
- the Charity Commission has recommended that the receipts and payments threshold should increase to £250,000, which would further ease the reporting burden for smaller charities in England and Wales;
- clarity should be an aim of the next SORP and that clarity would, in itself, reduce complexity and aid smaller charities; and
- the term small is a relative one and is as much about the scope of activities as size in financial terms. Public fundraising of itself might imply a higher level of accountability for example.

### **3.6 The Committee agreed that:**

- **the Secretariat seek to organise a Funders Forum in England and Wales to match that already planned for Scotland;**
- **the Secretariat draft an article advising the sector about the roundtables and the SORP Committee's thinking;**
- **the Secretariat to develop a thematic analysis of the feedback for use as a background paper for the roundtables; and**
- **the feedback from the Forum, together with the roundtables should be used to inform the research phase for the next SORP and to be fed back to the Committee.**

### **Item 4: Taking the pulse: update on the Stakeholder Roundtables**

4.1 Nigel Davies summarised the paper noting that the roundtables were intended to capture the views of a wider group of stakeholders as well as funders with a briefing pack provided to delegates prior to their roundtable. Arrangements were in place for a number of events already and the assistance of the Charity Finance Directors' Group, Directory of Social Change, Queens University and the Department for Social Development (Northern Ireland) was gratefully acknowledged.

4.2 Following the circulation of agenda papers, the Health Financial Management Association, ACCA, and the Association of Charitable Foundations have also offered assistance to the roundtables. Peter Gotham advised that the ICAEW had also agreed in principle to provide support to the roundtables.

4.3 Kirsty Gray, Deputy Chair, advised that OSCR had plans for three roundtables: for large charity preparers and auditors, small charity preparers and examiners and a funders group.

4.4 Debra Allcock-Tyler offered the assistance of DSC to extend invitations to its subscribers by e-mail and for assistance in identifying key personnel at Government funding bodies. Keith Hickey offered CFDG's assistance to reach banks, via its corporate members, who may be advising clients on philanthropy.

### **4.5 The Committee agreed that:**

- **the Secretariat should proceed with arrangements for roundtables including a funders' roundtable in England and Wales alongside the funders event already planned for Scotland;**
- **the roundtable arrangements to follow the proposed format set out in the paper; and**

- **the format of the roundtables should be as flexible as possible and allow the greatest time for discussion rather than follow a rigid format.**

#### **Item 5: Co-ordination of SORP Review with CAPE Research Agenda**

5.1 Kirsty Gray in taking over the chair asked Ray Jones to introduce the paper which reported on those areas identified by CAPE for review following the PWC report on the four public benefit SORPs. The Charities SORP was found to be fully compliant with UK GAAP but a number of areas where the approach taken within SORPs differed were identified in the paper for further consideration. The proposed way forward was to convene a Technical Sub Committee which draws its membership from the SORP Committee and Secretariat on a flexible basis with each meeting being issue specific.

5.2 The matter of multi year grants gave rise to debate and it was considered that whilst no issue is off limits, given the very comprehensive debate in the run up to SORP 2005 and developments internationally, it was best to defer further consideration of this issue until the International Public Sector Accounting Standards Board had carried out further work on its project on accounting for social benefits.

#### **5.3 The Committee concluded that:**

- **a Technical Sub Committee be convened to begin its work in the late autumn along the lines set out in the paper;**
- **members should confirm with the Secretariat their interest in any of the issues scheduled for discussion;**
- **the list of topics to be scheduled by the Secretariat were the structure of primary statements, designated funds, capital grants and funding, consolidations and combinations and narrative and non-financial reporting; and**
- **the topic of income recognition be added to the list and the consideration of the recognition of multi-period funding arrangements be deferred.**

#### **Item 6: ASB Update**

6.1 Kirsty Gray invited Andrew Lennard, Chair of CAPE, to provide an update to the SORP Committee about developments at the ASB.

6.2 Andrew noted that the ASB had issued a new Exposure Draft on heritage assets which proposed to continue with current practice together with enhanced disclosures. The consultation closes on 10 October 2008.

6.3 The ASB had updated the FRSSE for changes arising from the Companies Act 2006 but the UK GAAP aspects remain unchanged.

6.4 Andrew noted that the ASB was developing its thinking on the future of UK GAAP (convergence) and when the IASB concludes its SME project he anticipates that the ASB will issue a further consultation paper. This is likely to be towards the end of the year and will include a proposed timetable for convergence. Andrew noted that the IASB required publicly accountable enterprises to apply full IFRS and it remained to be seen if charities would be viewed as publicly accountable for the purposes of IFRS compliance. The ASB was also intending to consider the future role of SORPs.

**Items 7: Dates of meetings in 2008.**

7.1 The date of the final Committee meeting in 2008 was confirmed as 17 October starting at 12am in Dundee with a finish time of 4pm. It was noted that in future options for future dates would be circulated with the aim of avoiding Fridays where practicable.

7.2 The Secretariat is to circulate planned membership and proposed dates for the series of Technical Sub-Committee meetings beginning in the late autumn.

**Items 8: Any other business.**

8.1 There being no other business the meeting closed.