

Minutes

Board Charities SORP Committee

Date Monday 8th March

Time 14:00 – 16:30

Venue Microsoft Teams

Joint Chair	Laura Anderson Nigel Davies Damian Sands	<i>Office of the Scottish Charity Regulator (OSCR)</i> <i>Charity Commission for England and Wales (CCEW)</i> <i>Charity Commission for Northern Ireland (CCNI)</i>
Members present	Michael Brougham Daniel Chan Tony Clarke Tom Connaughton Diarmaid Ó Corrbuí Noel Hyndman Joanna Pittman Max Rutherford Jenny Simpson Neal Trup	<i>Independent Examiner</i> <i>PwC</i> <i>Clarke & Co Accountants</i> <i>The Rehab Group</i> <i>Carmichael Centre for Voluntary Groups</i> <i>Queen's University Belfast</i> <i>Sayer Vincent</i> <i>Association of Charitable Foundations</i> <i>Wylie and Bisset LLP</i> <i>Neal Howard Limited</i>
In attendance - Engagement Strand Convenors	Chris Bolt Christine Scott	<i>Smaller Charities and Independent Examiners- Engagement Strand</i> <i>Professional and Technical (Group B) - Engagement Strand</i>

	Louise Thompson	<i>Trustees - Engagement Strand</i>
	Tony Ward	<i>Larger Charities - Engagement Strand</i>
	Sue Wilson	<i>Major Funders and Donors and Government and Public Bodies - Engagement Strand</i>
In attendance - other	Claire Morrison	<i>OSCR</i>
	Dierdre O'Dwyer	<i>CCEW</i>
	Clare Thomas	<i>OSCR</i>
	Amie Woods	<i>CCEW</i>
	Milan Palmer	<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>
Observers	Jane O'Doherty	<i>Financial Reporting Council</i>
	Jelena Griscenko	<i>The Charities Regulator in Ireland</i>
Apologies	Caron Bradshaw	<i>Charity Finance Group</i>
	Gareth Hughes	<i>Diocese of Down and Connor</i>
	Tim Hencher	<i>Scottish Council for Voluntary Organisations</i>
	Carol Rudge	<i>Grant Thornton</i>

Action

- 1.1 The Chair welcomed everyone to the joint meeting of the engagement strand convenors and the Charities SORP committee. It was recognised that there was an ambitious agenda for the meeting and so members were asked to make their comments as succinctly as possible while maintaining the opportunity for discussion.

There were no formal declarations of interest.

Christine Scott mentioned that ICAS had issued a call for research on impact reporting.

2. Paper one, Advised topics and priorities for the reflection stage

2.1 The Chair asked the meeting to consider the recommendations in paper 1. He brought members attention to paragraph 1.1 which in turn focussed on paragraphs 5.1 and section 6 of the report i.e., that the last two meetings of the Charities SORP committee had agreed the topics put forward by the engagement strands. The issue relating to comparative information was recommended to be put forward for considered by the FRC as a part of its 'listening exercise' for its periodic review of FRS 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland* and that tiered reporting should also be considered separately and prioritised in terms of the sequencing of topics.

The meeting agreed with the approach to both these issues and underlined the importance of agreeing the approach to tiered reporting.

The Chair noted that recommendation 1 asked the Charities SORP committee and the SORP engagement strand convenors to consider the updated draft of the SORP objectives as the initial topic for discussion in the next stage of the SORP development process. The committee and convenors were asked for their views.

A committee member commented that as had been said in previous meetings it was difficult to compare charities as they were very different organisations, it was queried whether it should be consistency of financial information that was being sought.

Participants recognised that the FRC's *Policy on the Development of SORPs* was aimed to promote consistency across the relevant sector.

It was noted that comparability was an important characteristic of financial information. Comparability is not just about comparing one entity with another but might apply, for example, to being able to compare transactions from one reporting period to another.

Participants queried whether there may be a tension between these objectives and whether one objective might have priority over another.

It was recognised that the debate of the engagement strands and at the SORP committee may identify that there are tensions between the objectives. As drafted, they had been compiled in the order that had been identified by the SORP committee, following the debates of the engagement strands and the current SORP objectives. The committee noted that the objectives would need to be consistent with that of FRS 102 as this was the foundation of the SORP.

It was acknowledged that the objectives referred to proportionality. A committee member noted that it was crucial that this tied into tiered reporting and the complexity of financial information that caused some charities difficulties in engaging their users.

Participants noted that strictly the IFR4NPO was guidance and was not a financial reporting standard and this should be recognised in the paper.

A committee member commented that objective a) should refer to financial 'and other reporting' to ensure that it encompassed the trustees' annual report as well as the

accounts. It was questioned as to whether objective b) should instead say 'in a way that is proportionate...'

Participants recognised that this was an initial discussion of the objectives. They would be subject to a more detailed discussion as the first topic for the next stages of SORP development.

The meeting moved on to consider recommendation 2 and whether it agreed with the SORP committee's assertion at its last meeting that the users of the SORP would be expected to understand the accounting concepts, the principles and terminology used by the SORP.

Participants considered that it was doubtful that for instance, small charities and non-professional independent examiners would understand the concepts in FRS 102 and the SORP. Evidence from several sources might suggest that this was not always the reality.

A SORP committee member commented as the SORP was based on FRS 102 it was difficult to move away from this basic starting position. The question arises whether there are other forms of guidance or training which might enhance the level of understanding of stakeholders.

Participants commented that for smaller charities where some accounting knowledge existed, that accounting under FRS 102 had moved on and not all in the sector had kept pace with developments.

The Chair noted that defining the users of the SORP this was a key issue and the current SORP had been extended to ensure that users could understand its recommendations. Education and training were necessary to ensure understanding.

A committee member reiterated the comment that part of the solution to this issue might be to make it clear that small charities should produce receipts and payments accounts instead.

Recommendation 3 of the report asked the convenors of the engagement strands and the committee to note that charities applying the SORP prepare their accounts on an accrual basis and the remit of the SORP does not extend to cash accounting i.e., accounts prepared on a receipts and payments basis.

Participants noted that the discussions of the Smaller Charities and Independent Examiners engagement strand indicated that there were advantages of taking smaller charities out of the scope of the SORP. It is challenging applying FRS 102 to small charities that are companies that would not be subject to these reporting requirements if they were not charities.

It was noted that conversion to a Charitable Incorporated Organisation or a Scottish Charitable Incorporated Organisation might be a means of avoiding the requirement to prepare 'true and fair' accounts *[as it would give the opportunity to move to reporting on a receipts and payments basis]*. But it would be important to emphasise

that charitable company accounts are currently required to present a 'true and fair view'.

A committee member noted that cash accounting (the receipts and payments basis) of reporting only applied to the accounts. It might be the case that the SORP could recommend that the trustees' annual report requirements are best practice for even those charities preparing accounts on a receipts and payments basis.

Recommendation 4 sought the views of the SORP committee and the engagement strand convenors on the grouping of the topics that have been agreed as those being taken forward into the next stage of the SORP development process and whether they might wish to offer an alternative grouping for any of the topics.

Participants agreed that the second sentence of paragraph 5.2 should read: '...that technical issue a) removal of the use of comparison information *should* be considered under the Financial Reporting Council (FRC) 'listening exercise' as a part of the FRC periodic review of FRS 102. 'rather than using the word 'could'.

In terms of the categories of topics, comment was made that perhaps there should be more explanation e.g., should it refer to measurement and recognition. Questions were also raised about whether the grouping suggested that the engagement strands would consider all the topics or only certain ones.

It was agreed that the volume of topics meant that it was necessary to manage them in some form of grouping and this may help with the allocation to engagement strands.

Participants recognised that it was difficult to allocate topics to individual strands as the subject matter may be relevant to at least a number if not all the engagement strands.

Participants recognised that most topics have been raised by most of the engagement strands. A way forward was suggested that for each of the topics the engagement strand convenors and the engagement strand secretariat could provide a briefing to guide the engagement strands through the elements of discussion, particularly those relevant to the engagement strands. This will also help guide the discussion with the SORP committee later.

Participants considered that some engagement strands will be more interested in some topics rather than others. Some engagement partners will not just be more interested but will have a more appropriate skill set for some topics. The engagement strand convenors were keen to ensure that interest and momentum achieved at the stands was maintained.

Participants were invited to comment on recommendation 5 about the prioritisation of topics. It noted that the objectives of the SORP and tiered reporting would need to be considered first. Resolving the tiered reporting question may have an impact on the remaining topics. It was also recognised that the tiered reporting question could take some considerable time to resolve but would also be affected by discussions with the

FRC on FRS 102 which might unlock how further discussions on this topic would develop.

A question was raised on whether the meeting had settled the issue raised at paragraph 8.2 i.e., would the joint-SORP making body prioritise the topics or would the engagement strands be permitted to set their own priorities. It was recognised that there had been no major comments on this issue, but it might be revisited for consideration of the other papers at this meeting.

3 Paper 2, Timeline

- 3.1 The Chair introduced paper 2 indicating that the paper allowed participants to consider the parameters of the timelines and what the next phases of SORP development will look like.

Working back from the end of the timetable, under the SORP development process drafting will need to commence early in 2022. What we need to consider in paper 3 is what the next two stages of SORP development will look like.

The next stage would commence with discussions on the principles for the draft objectives, this would be followed by tiered reporting and then the remaining topics set out in the groupings in paper 1.

The meeting queried whether a timetable with the earliest and latest dates was the most helpful approach. With the size of the engagement process it was important to keep the momentum of SORP development going without causing confusion.

It will be important to be clear what the next stages of SORP development are with clear milestones for when outcomes should be completed.

A committee member noted that the last SORP timetable had slipped. It had originally commenced in 2006 with a planned issue date of 2010. Due to the timing of development of FRS102, the SORP had been completed in 2014 with an effective date of 2015.

It was also recognised that some of the recent meetings had brought both reflection and problem solving together. It may be useful to adopt this approach going forward. The meeting noted that this would be considered under paper 3.

The meeting agreed it would be helpful for the engagement strands to have key meeting dates to be able to apply detailed timetables and agreed deliverables.

Chairs

4 Paper 3, options for the next stages in the SORP development

- 4.1 The Chair presented an overview of paper 3 indicating that this was a critical discussion on how the next stages of SORP development were going to work. As part of the considerations behind the development of this paper, the Chair was mindful that the engagement strand partners, and convenors and the Charities SORP committee members were all volunteers and that participation in the strands and the committee meeting were all calls on their time.

Paper 3 proposed three options for considering the topics under the reflection and problem-solving stages:

- A distinct two step phase firstly considering reflection stage and problem-solving stages in turn. The Chair noted that this was an orderly process but perhaps did not allow for natural flow of debates.
- The second alternative was to combine the reflection and problem-solving stage. This allowed for creativity and flexibility but might be more difficult to manage.
- The third option was to 'mix and match' the approach to the consideration of the topics allowing some topics to be considered on a stage-by-stage basis and others to discuss the reflection and problem-solving stages together. This option was the hardest to manage but might be the most creative.

The meeting recognised that if the maximum period for the next two stages of SORP development was nine months, two separate phases are more likely to be an artificial construct and would not allow the engagement strands to maximise the use of resources. Some engagement strands might only meet four times during this period (though the convenors may be prepared to put more time in than that). It was also recognised that some strands would also meet more regularly than that.

The timetable would need to allow for the SORP committee to consider the outputs of the engagement strands (with previous suggestions made about the use of small groups). The suggested briefings developed between the engagement strand secretariat and the convenors would provide a useful framework for discussion of the engagement strand outputs. If the outputs from the engagement strands are quite similar, then this would suggest a solution but if not the SORP committee would need to review the outputs to suggest a way forward for the joint SORP-making body.

It was noted that the Major Funders and Donors and Government and Public Bodies engagement strand has put forward submissions for all the topics in Paper 1. Members of the strand would be disappointed if they were not allowed to discuss the topics in future phases. A view was given though that some engagement strands may not be interested in all topics.

The meeting queried whether the list of topics is definitive, or whether more might be introduced. It was noted that philanthropy research recently reported had flagged related parties and it was agreed that there were more developments in the sectors that the engagement strands are involved in. Is there an option to feed this back in further topics? It was noted that there had to be 'a line drawn in the sand' on the list of the topics considered, given the timelines it would be difficult to manage an evolving list of topics. However, this would need to be open to discussion as it may not be appropriate to be absolute about this position.

It was agreed that combining the two stages was likely to mean that this would allow greatest flexibility for the engagement strands discussions and would allow for

different frequencies of meetings. However, the need for milestones and feedback timescales was emphasised.

The possibility that the engagement strand convenors might seek the views of their strands on the topics they would prefer to work on was suggested. A view was put forward that not all strands need to look at everything. The meeting recognised the volume of participants in both engagement strands and the SORP committee meant that there were a considerable number of people involved and not all of them need to revisit every topic.

It was agreed that the two stages, reflection and problem solving would be combined as outlined in Option B of paper 3.

5 Paper 4, First thoughts on undertaking a feedback exercise on the experience of the new process

- 5.1 The Chair set out that paper 4 was intended to provide an initial discussion on a feedback exercise on how the new engagement process has worked. It would be useful to share comments on experiences to date of both the engagement partners and the committee.

Having feedback was generally considered to be a good idea. The process to date had involved numerous volunteers and it would be useful to gauge the experiences of those that had taken part to date.

The convenors considered that feedback would be useful. When discussing gaining feedback, it should also be on how the process has worked. It would also be useful to consider how the process so far had contributed to the discussion of topics.

Participants noted that the process this far had been inclusive. It had taken account the views of a substantial number of people involved. It is therefore inevitable to a certain extent there is some repetition. It may be helpful to get feedback soon to learn lessons for the next nine months. Participants had been very enthusiastic at the start of the process it would be useful to ensure that the processes for the remaining period maintained that enthusiasm.

It was considered that several of the options for feedback in the proposed by the paper might be useful.

Participants considered that it was possible with such a detailed process that some engagement strand members may start to feel a little disconnected and having an opportunity to feedback directly would be appreciated. The commencement of the drafting stage was anticipated to be January/February 2022. Feedback may also provide an opportunity to consider what has been achieved to date but should not be a one-off process.

Participants agreed that a combination of the feedback processes in paper 4 might be useful.

5.2 **Conclusions**

5.3 The joint chairs thanked participants for the work they had undertaken. Substantial ground had been covered. In summary:

Paper 1 had enabled the development of the SORP to move to the next conversation about the objectives, followed by tiered reporting and then finally the topics as outlined in the four groupings. There had been a broad agreement about the timings outlined at the meeting and these will be firmed up with more detail provided.

The discussions on paper 3 had agreed that the next stage would for SORP development combine the reflection and problem-solving phases.

It was agreed that seeking feedback soon would be very useful but that this feedback should be sought throughout the SORP development processes. The chairs will reflect on this and come back with recommendations about how this could be progressed.

Chairs

5.3 Participants were invited to ask any further questions or make any other comments.

5.4 Views were sought from convenors on what could be fed back to the engagement strands. The joint chairs will provide clear direction to the convenors on this. This would be particularly important to the convenors who were unable to attend the meeting.

5.5 The meeting sought views on whether topics had not been put forward by the engagement strands which the SORP committee had otherwise expected to be proposed. SORP committee members were of the view that most issues that had been anticipated has been raised, most of which had also been identified in previous SORP reviews. It was recognised that the number of topics proposed were substantial so the process may need to be focused or some may not be able to be answered by changing the SORP. If the SORP development process resolved 10 out of the 15 topics this might be deemed to be a success.

5.6 It was recognised that currently the engagement process was very democratic to ensure that most participants are given a voice. It was acknowledged that as the process develops not everyone will necessarily be content with the outcomes. Such a wide debate was very useful but not all participants will have the same views. At some point during SORP development difficult decisions would need to be made and not all participants may be satisfied with the outcomes. It is important that the development processes recognise this and manages expectations.

5.7 As the objectives and tiered reporting need to be agreed before moving on to the list of topics the meeting enquired whether more work would need to be done before this is brought back to the engagement strands. The joint chairs indicated that they would consider this and come back to the engagement strands as soon as possible. Agreeing the process today had been an important step and would allow for timelines to be set.

Chairs

