Minutes

Board	Charities SORP Committee
Date	Tuesday 13th April 2021
Time	14:00 – 16:00
Venue	Microsoft Teams

Joint Chair	Laura Anderson	*Office of the Scottish Charity Regulator (OSCR)*
	Nigel Davies	*Charity Commission for England and Wales (CCEW)*
	Damian Sands	*Charity Commission for Northern Ireland (CCNI)*
Members present	Caron Bradshaw	*Charity Finance Group*
	Michael Brougham	*Independent Examiner*
	Daniel Chan	*PwC*
	Tom Connaughton	*The Rehab Group*
	Diarmaid Ó Corrbuí	*Carmichael Centre for Voluntary Groups*
	Noel Hyndman	*Queen's University Belfast*
	Gareth Hughes	*Diocese of Down and Connor*
	Joanna Pittman	*Sayer Vincent*
	Carol Rudge	*Grant Thornton*
	Max Rutherford	*Association of Charitable Foundations*
	Jenny Simpson	*Wylie and Bisset LLP*
	Neal Trup	*Neal Howard Limited*
In attendance	Milan Palmer	*CIPFA, Secretariat to the SORP Committee*
	Gillian McKay	*CIPFA, Secretariat to the SORP Committee*

	Sarah Sheen	*CIPFA, Secretariat to the SORP Committee*
Observers	Jane O'Doherty	*Financial Reporting Council*
	Jelena Griscenko	*The Charities Regulator in Ireland*
Apologies	Tony Clark	*Clark & Co Accountants*
	Tim Hencher	*Scottish Council for Voluntary Organisations*

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

1.1   The Chair welcomed SORP Committee Members to the meeting.

He proposed that all items on the agenda will be followed with no proposed chages to order or timings.

1.2   Declarations of interest

1.3   Nigel Davies noted that in relation to Item 5, he has formally served on the CCAB Project Steering Group of 2014 which gave the original background to the initiative and also worked on the ACCA companion guide which was a forrunner to the project.

Daniel Chan informed the committee that he is a member of the CIPFA Charities and Public Benefit Entities (CPBE) Board

Caron Bradshaw informed the committee that she is a country champion for the IFR4NPO project.

Sarah Sheen noted that she is secretary to the CIPFA CPBE Board and later in the meeting confirmed that she has worked substantially for CIPFA on the IFR4NPO project.

2.   Minutes of the Meeting of 8 March 2021

2.1   The committee agreed on the minutes of the meeting with a small number of minor amendments.

There were no matters arising.

3   Paper 2, The Use of Separate Groups for SORP Development

3.1   The Committee noted that it has previously expressed concern over the time given to discuss topics that it had agreed to be taken forward into the development plan for the SORP. Suggestions had been made that the Committee should discuss the topics in more detail in some form of working group.

CIPFA under the direction of the joint chairs had suggested four main options for working in groups though it was recognised that there could be variations on the approaches outlined. The four options were:

- Option 1: A working group per group of topics, reporting at the relevant SORP committee meeting with recommendations

- Option 2: A formal sub-committee per group of topics – no sign off by whole committee

- Option 3 – Four working groups all working on the same group of topics at the same time with written submissions where SORP-making body collates the findings and concludes on the best approach

- Option 4 – Continue to conduct debate and assessment of all topics within the Charities' SORP Committee meetings.

CIPFA noted that there are challenges, when considering the need for effective debate within each of the topic groups and the need to ensure that the topics are considered using the full experience and expertise of the committte including jurisdictional representation. This was the case for the first three options. Particular issues may also arise for option 2 where authority for decisions would be delegated to the committee and this could give rise to a lack of 'buy-in' from committee members if they do not agree with the decisions of the sub committee. The Committee also recognised that a balance needed to be sought between availability and time restraints for its members.

The Committee reflected that the suggestion to split into groups had been to address the quality of discussion and the opportunity to engage in fuller debate. Using technology to enable all committee members to join in the discussions would add to the richness of the conversations. Some members of the Committee commented that the issues should be considered in appropriate depth. This would therefore lead to a conclusion of option 1 or option 4.

The Committee acknowledged that it was important that it had the opportunity to debate all topics and that all members had a chance to input to the debate. Therefore other members commented that a combination of options 3 and 4 could be best but were not in favour of a written submissions being made under option 3.

The Committee reflected that the use of breakout rooms could be useful. It noted that full meetings of working groups would be more difficult and an administrative burden.

The Committee commented that a meeting where breakout rooms were used in MS Teams and which then at the same meetings returned to a full Committee meeting to share the outcomes of break out sessions would be a manageable approach.

The Committee may need some flexibility around the proposed approach as it would depend on the topic . A Committee member suggested that a sub group could undertake the the majority of the ground work on a topic and then feed back into the Committee. This with the understanding that the Committee did not have the option of revisiting the entire debate. The Committee reflected that with appropriate measures options 3 and 4 may work like options 1 and 4.

The Committee noted the decisions on the working groups will effect the frequency with which the committee is asked to meet. There is already a very full agenda and so working groups could place an additional pressure on colleagues time to spend on this work.

At this point in the meeting it was concluded that option 4 was priortised and a topic will be addressed and some form of break out rooms should be used. This will be part of the normal committee meeting where there will also be other items to discuss.

The joint chairs noted that it would be very difficult to cover the review of topics in working groups in normal committee meetings and was aware that the current timetable of meetings was already a substantial contribution from committee members. So the Chairs asked for confirmation of the additional meetings that committee members were willing to make in order to arrange the practicalities. Initial feedback from the Committee suggested an additional meeting a month may be manageable but more frequent meetings than that would be more difficult.

The Committee's views colasced around option 4 with additional ad hoc meetings as manageable. The decision was made to aim for an average of two meetings per month although it is acknowledged that some members may struggle to make meetings of that frequency.

The Chairs commented that it was important to acknowledge the interplay with the engagement strands as well. Feedback from the enagegement strands need to be co-ordinated into the scheduled committee meetings. It was noted that the Chairs were meeting the engagement strand convenors later in the week and so would discuss the process for timing their responses into the Committee's scheduled meetings.

It was agreed that all topics needed to be considered by the Committee at some point. After some debate the Committee agreed to split the topics into two groups. Those topics that are contentious requiring debate and needing to be discussed by the full Committee were described as type A. Those that require less debate or are not contentious could be delegated for consideration by sub groups, when resolved their outcomes can be fed into the full committee.

The Committee made its assessment of the topics as follows:

Contentious/requiring discussion, and discussed by full committee (A)

- Summary financial Information/key facts page
- Sustainability reporting
- Accrual basis of accounting for grants
- Reserves
- Presentation of the SOFA
- Notes on financial information.

Less contentious for initial discussion in working groups which are fed back to the committee for brief concluding discussion (B)

- Impact Reporting

- Activity reporting

- Support costs

- Expenditure Classification

- Donated goods and services

- Income recognition

- Legacies

- Funds note

- Materiality.

A member noted that every topic needed eventually to be discussed in more detail and suggested that the majority of the work of these topics should be discussed in a working group and then considered by full committee. The Committee agreed to proceed with the above process of assessing the topics as outlined above but recognised that the process needed to be agile.

4. FRC Update in UK/Irish GAAP

4.1 The FRC noted that it had commenced its periodic review of FRS 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland*. It had issued its request for views on 23 March 2021. A part of this process is seeking views from stakeholders on areas that might be considered as part of the review. This may include new issues or transactions that should be addressed, or other suggestions. The review will consider recent developments in financial reporting and relevant developments in the wider reporting framework. The request for review period will close on 31 October 2021 and responses can be sent to the following address ukfrsperiodicreview@frc.org.uk.

5 Paper 3, Submission to Financial Reporting Council

5.1 The Chair set out that this report featured an early draft of a letter supported by a technical Annex. This letter drew from the issues emerging from the exploration stage. Amongst other issues proposed amendments to FRS 102 which would allow for changes to the Charity SORP. The paper is presented in three parts the report, the early draft letter to the FRC and the technical Annex providing the detail and the rationale behind the proposals. The aim of the letter is to request the FRC consider making changes to FRS102 as part of the periodic review.

The letter introduces the FRC to the material that supports the proposed changes, describes the basis for this and what impact these changes are likely to have.The Committee was invited to let the Chair know of any modifications or omissions. The Chair outlined the proposals contained in the letter (and the Annex), it included:

- changing the way section 1A applies by differentiating between for-profit and public benefit entity (PBE) reporting

- proposals for greater flexibility in matters of presentation in the statement of financial activities to address points raised in the exploration stage to do with: the layout of the SoFA, use of comparatives, and recognition of legacies

- orientating disclosures in the notes to the accounts with reference to: focussing disclosures on the needs of the majority of users with examples being pensions disclosures and financial instrument disclosures

- proposals to clarify the potential role of the IFR4NPO guidance in defining future public benefit entity reporting under UK-Irish GAAP and an invitation to the FRC to develop a stand alone not-for-profit accounting standard.

The Committee made the following comments in response to question 1 of paper 3 which was whether it had any views on the draft letter.

The Committee thanked the Chair for setting out the issues clearly. It was suggested that perhaps more might be made of the different considerations of the capital markets and public benefit entities in the letter. The Committee wondered whether it may be too early to consider the treatment of legacies as this was one of the 15 topics to be reviewed by the engagement strands and the Committtee.

A Committee member enquired whether there may be too much stress on the impact of the IFR4NPO which was still in the relatively early stages of development and had yet to go through a significant development process.

The Chair commented that the IFR4NPO project may be used as a reference point for UK GAAP. The Committee responded that the Annex should perhaps be more general with regard to paragraphs 4.1 and 4.2 with the focus on developing a not-for-profit accounting standard.

The Committee was then invited to comment on question 2 which sought its views on the Annex.

The Committee reflected on the detailed points and cross-referred to its previous comments on legacies in its response to question 1 (it was agreed at this juncture these points would be removed (see paragraph 2.4).

The Committee debated the commentary on pensions disclosures with regard to removing only some of them. The Major Funders and Donors and Government and Public Bodies and Larger Charities engagement strands had questioned the use of the defined benefit disclosures as a whole and particularly for smaller charities. Earlier discussions of predecessor committees about pensions disclosures (including debates much earlier on the introduction of FRS 17 *Retirement Benefits*) had considered the approach under FRS 100 for the ability of smaller entities not to use the same disclosures based on size. This has emanated from Section 1A of FRS 102 which allows some exemptions for charities hence the proposal.

The Committee considered question 3 which sought views on whether there was other evidence. The Committee did not consider that at this juncture there was any further evidence and so the financial instruments example is best withdrawn.

The Committee was asked whether it had any comments on section 4 of the annex and the proposal to develop a future not-for-profit accounting standard.

A Committee Member raised the issue that there may be an issue with using IFR4NPO as a reference point as it is at the beginning of its development whereas the SORP was a well developed framework. The IFR4NPO will be guidance and therefore is not supported by legislation. Similar difficulties had faced the SORP when it was first introduced in 1988.

CIPFA commented that the IFR4NPO project was guidance, at an early stage ie at its first consultation paper stage before its second Exposure Draft stage. IFR4NPO is intended to have a global reach but there are significant stages to its development. It was an ambitious and long-term project.

The Committee noted that the legacy issue would consider the evidence process through the reflection and problem solving stages of the SORP development process and may be considered in a second response to the FRC's request for views.

The Chairs thanked the Committee for their deliberations.

6   **Proposal to Record Meetings**

6.1   The Committee considered CIPFA's commentary that it was important that the minutes capture the accuracy and the spirit of its discussions. This was not always easily captured by manual note taking. Recording the meetings would enable the note takers to revisit the items discussed to ensure they are an accurate reflection. It was noted that it is becoming more common for meetings to be recorded. However, it was recognised that recording meetings can be deemed to stifle debate. These recordings would only be used for minute taking and would be deleted afterwards.

The Committee was invited to give its views on CIPFA's request to record the meetings. The Committee acknowleged that recording meetings might limit discussions on some of the issues subject to debate.

The Committee noted that there may be a couple of months gap between the meeting and agreement of minutes.This may give time for Freedom of Information (FOI) requests for the recordings. It was noted that CIPFA itself was not covered by FOI enquiries but the information may be subject to the contract between CCEW and CIPFA. It was determined that this issue would be further investigated. It was noted that members privacy statement may need to change to cover any recordings. The Committee requested confirmation of these issues before giving consent to recording its meetings. In the interim no recordings are to be made.

7   **AOB**

7.1   **Future Committee Dates**

7.2   It was noted that the MS Teams invitations had been sent to Committee Members until the end of this calendar year. Following the discussions at item 3, this schedule may need to be populated with further dates. This would be discussed with engagement strand convenors at the meeting later in the week. The Chairs will return to the committee with suggestions for the way forward.

7.3   **IFR4NPO Project Paper for May Meeting**

7.4   The Committee will receive a paper on the first part of the IFR4NPO consultation paper at its next meeting in May. It noted that as the consultation documents is 280 pages long it can be difficult to know which parts to respond to, so it would be useful to hear in more detail about the project. The Committee recognised that CIPFA will not be able to produce the consultation response for the Committee as CIPFA is the project Secretariat. However, CIPFA can present to the Committee with what the consultation document contains and compare this with the approach in the SORP. If the Committee provides a commentary on the issues that it considers will arise then CIPFA may be able to collate this information to provide the basis of a response.

7.5   The Joint Chairs were asked that following the email circulated to Committee members on information previously sent to engagement strand convenors, what were the views of the convenors on a proposed timetable and reporting on the grouped topics? The Chairs commented that this would be discussed by the engagement strand convenors at their meeting this week. Hopefully the meeting would decide how the engagement strands, Joint Chairs and the Committee would work together for the rest of the year.

7.6   It was noted that some Committee members had volunteered to consider the COVID-19 example template financial statements. A Committee member enquired when these examples would be published. The matters raised had been considered and these would be published in the near future. The examples may be issued as a sequence of publications rather than being issued all together.

7.7   A Committee member noted that the research being undertaken by the engagement strand for Smaller Charities and Independent Examiners had commenced. The project is anticipated to be reported on in June or July. This news was welcomed as the Chairs are also looking at additional pieces of research that could be shared with ther committee.

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