



EXPOSURE DRAFT CHARITIES SORP

Issued 20 June 2025

ICAEW welcomes the opportunity to comment on the Exposure Draft Charities SORP published by SORP-making body on 28th March 2025, a copy of which is available from this [link](#).

We welcome some of the changes proposed in the exposure draft SORP but believe that the reporting requirements will continue to be disproportionately burdensome for smaller charities.

Some of the significant challenges involved stem from matters beyond the SORP-making body's remit, and it is doubtful that changes to the SORP alone would be enough to address them. We believe that a more radical reform initiative is needed with holistic input from the responsible bodies, including the FRC and government, for instance, as regards company law. While this cannot now be done before the proposed new SORP is required, we hope that the SORP-making body will use its influence to press for such an initiative as soon as possible.

As regards the exposure draft SORP, we welcome efforts that have been made to simplify or clarify requirements for small charities within these constraints, for example the new illustrative table for natural classification and the clear concept of tiering that acknowledges the need for a lighter touch approach for smaller charities. However, we think there remains scope for some areas of the SORP to be made clearer, simplified or shortened and there are areas where it would be helpful for more illustrations to be given of how the requirements would apply in certain circumstances (for instance in relation to conditional grants and social investments). In some cases, existing or new illustrations might best be published separately from the SORP, for instance, as help sheets, so that the SORP focuses on provisions that are mandatory.

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This ICAEW response of 20 June 2025 reflects consultation with our Charity Committee which includes members from leading audit firms in the sector and members working in or volunteering with charities.

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KEY POINTS

REGULATORY BURDEN FOR SMALL CHARITIES

1. We believe that the regulatory regime, including the part the SORP plays within it, has become disproportionately burdensome for smaller charities. The following comment from the director of finance of a children's charity is typical of feedback we have received from our members:

“ . . . my concern [is] that reporting continues to be added to, without anything being taken away. Whilst ensuring the provision of accurate and informative details to those who fund and support all that we do is incredibly important, my overriding priority will always be for my team to do as much as they can day to day to aid those who are helping the incredibly vulnerable...”
2. The concerns include the sheer volume of reporting that is required and the complexity of requirements, including the quantity of thresholds involved. This has a disproportionate impact on smaller charities who may not have the resources needed to navigate and comply with the requirements or to manage and pay for professional advice without adverse impact on their charitable work.
3. Some of our detailed suggestions below are aimed at making the SORP more proportionate for smaller charities, but there are limits to what can be achieved through the SORP alone. We believe that a more radical approach is needed. It seems from its comments in May 2023 on the FRC's consultation “FRED 82” (*Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and other FRSs – Periodic Review*) that the SORP-making body (“**SMB**”) broadly shares this sentiment:

“...there remains a significant number of smaller charitable companies who are struggling to understand the relevant requirements and whose resulting accounts are often unintelligible for many stakeholders who want to use them. This is often due to clutter in the documents coupled with a lack of clarity about what the charity is doing and how it is doing it due to the complex accounting treatments that charities have to apply to their transactions. Charities should have a reporting framework that is more suitable for their needs in terms of the transactions they commonly have and the needs of those who use their annual report and accounts..... significant shift is urgently required to properly address the issues that smaller charities are experiencing by currently having to fulfil all relevant requirements of FRS 102 where they prepare accrued accounts.”
4. Extensive reform would require involvement of other bodies including the FRC and government (eg, in respect of company law). We note that simplification of the UK's regulatory regime is a priority for the current government, and we hope that the SMB will engage where appropriate in initiatives such as the government's “Action Plan for a new approach to regulation” and Department for Business and Trade's ongoing work to improve the UK's regulatory regime to this end.
5. Such reforms are beyond the scope of the consultation in hand, but the issue of charity size arises, for example in relation to thresholds and the closing questions and we comment further on those below.

SORP MAKING PROCESS

6. We appreciate that the SMB has raised concerns about proportionality of the reporting regime to the FRC as noted above and highlighted some of the challenges that the sector might face arising out of recent amendments to FRS 102, so anticipating some of the issues that we highlight here. However, it is possible that having the regulators as the only members of the SORP-making body is not the best approach from the perspective of simplification and proportionality of the reporting regime, so far as it pertains to the financial statements.
7. We commented on the proposed SORP making process in our response to the consultation on the topic in 2019 ([Rep 20/19](#)). A body responsible for making the Charity SORP will inevitably face requests from a wide variety of users and commentators for diverse information to be included in the financial statements even though the information might better be provided elsewhere (if needed at all). As regulators often welcome the disclosure of ever more data and information for their own purposes, they might be more receptive to such requests than other bodies whose remit is more closely focused on the core function of the SORP. We appreciate that the FRC provides recognition of the SMB and approves the issuance of the SORP but note that the SMB is the only SORP making body with regulators as members and that, in this case, the regulators are its only members.
8. While the current SORP and exposure draft SORP make clear that the term “should” signifies a recommendation or an example of good practice rather than a mandatory requirement, a charity may be hesitant to disregard a recommendation made by its regulator (in the capacity of member of the SMB) especially when the word “should” is used, however defined.
9. It would have been preferable if the consultation could have been issued sooner, particularly as it includes changes that are not driven solely by changes in FRS 102.

THRESHOLDS AND DEFINITIONS OF CHARITY SIZE

10. In principle, we support the tiered approach proposed in the exposure draft SORP, with reduced reporting requirements for smaller charities, and welcome the SMB’s efforts in this respect.
11. The Department for Culture, Media and Sport (“**DCMS**”) recently published a consultation on [financial thresholds in charity law](#), including thresholds for charity annual returns, accruals accounting, audit and independent examinations. Our response is available from this [link](#) (Rep 42/25). Given the common ground between the two, it would have been preferable if the issues could have been considered on a holistic basis, for instance, in a single consultation covering all the thresholds or with options in each taking account of options in the other.
12. You will see from Rep 42/25, that we believe there are simply too many thresholds applicable to the sector (including between the different jurisdictions in the UK) and that the definitions and terms used should be more consistent; even professionals struggle to remember them all and the risk of charities not understanding (and so failing to comply) is heightened by such complexity.
13. While the SORP cannot change the statutory thresholds, it should avoid adding to the complexity where possible.

14. As regards the proposed levels of the tiers, the reporting burdens even on tier 1 charities to whom the SORP applies remain substantial. Compliance is likely to be especially challenging for the many smaller charities who operate exclusively with volunteers, or one or two paid staff. There is widespread support for a much lighter touch regime to apply to charities of this kind (perhaps in the sort of way that a lighter touch applies to micro for-profit companies) and we believe that this should be given serious consideration by the SMB and other relevant bodies at the earliest opportunity.
15. Given the relatively modest differences in reporting requirements between tier 1 and tier 2 and the need to minimise compliance burdens where possible, we believe that the threshold between tiers 1 and 2 could be set much higher than the proposed £500,000, and would support it being set as the audit threshold from time to time applicable in the jurisdiction of the charity concerned.

DRAFTING

General concerns

16. We have not attempted to critique the whole of the exposure draft SORP but have only considered selected modules based on feedback we have received. However, the drafting of many of the provisions we have considered (and commented on below) adds to our concerns about the SORP making process outlined in the Key Points above.
17. We believe that the exposure draft is too long (at some 300 pages) and some of its provisions are ambiguous or too complex for smaller charities, in particular, to understand without professional help.
18. As noted above, we appreciate that some of the difficulties arise from the complexity of the environment in which the SORP necessarily operates and the fact that the SORP has evolved over many years with the natural risk that provisions are simply added to cover new developments. The SMB was not starting with a clean sheet and might not have been thanked for doing so, but we think that a new approach will be required in future.

Suggestions for change

19. We suggest some changes to drafting of specific modules in our commentary on those modules below. The following suggestions are more general in nature.
20. The exposure draft SORP does not appear to have a consistent approach in referring to relevant provisions in FRS 102, for instance whether to cross refer, summarise or to repeat verbatim (or with minor changes), sometimes extensively. We appreciate that there may be no easy or uniform way of approaching this and that it may be helpful to highlight new FRS 102 provisions through repetition in the SORP, but we think the draft might benefit from a more consistent approach, with less repetition, especially if the approach is aimed at shortening the SORP. Where FRS content is repeated, for instance because it has changed recently, it might be helpful to note the reason for the repetition.
21. We would like to see the emphasis changed so that the SORP focuses more clearly on mandatory requirements and that non-binding recommendations or examples of how the requirements might apply in specific circumstances are more clearly distinguished. The “should” or “may” provisions could, for instance, be placed consistently at the end of any section after mandatory requirements.
22. In some cases, it may be helpful for the SMB to publish such materials separately from the SORP so that it is clearer that they are not requirements with potential regulatory impact, for instance in the form of help or information sheets. This might enable the

SORP itself to be considerably shorter. We appreciate that the SORP already seeks to differentiate between mandatory and non-mandatory provisions through defining “should” and “may”, but the non-mandatory provisions may be perceived to have more force than intended by virtue of being in the SORP, which is a formal document with regulatory force (and, in this case, being issued by the sector regulators).

23. The exposure draft SORP uses the expression “encouraged to”, for instance in the context of environmental matters in the Trustees’ Annual Report section and in places where tier 1 charities are “encouraged” to adopt practices that are mandatory for the higher tiers. We are unclear what, if any, is the distinction between this term and “should”, or “may” (which are explained in the SORP). We also note that, whatever it means, when applied to tier 1 it adds a regulatory burden because, presumably, all charities should at least be aware that they are “encouraged”, or it would be pointless to say so. We suggest that these provisions be removed or more explanation is given of what is intended.
24. The glossary defines certain terms used in the main text, but the text sometimes contains its own (and different) definitions which is unhelpful at best. Cross references to FRS 102 and its explanations/definitions exacerbate this issue. We suggest that the SMB adopt the widely used practice of highlighting when defined terms are being used and potentially hyperlink to the definitions (eg, see the Financial Conduct Authority’s Handbook). That said, we appreciate that there is a balance to be drawn in the quantity of definitions created and the need for key points to be clear from the narrative itself.

NAVIGATION TOOLS

25. Some of the concerns about length and complexity of the SORP (and the complexity of the regulatory environment surrounding it), could be alleviated through use of enhanced technology. We appreciate that there is already a tool on the SMB website that will produce a “tailored” SORP, but we are not aware that it is significantly reducing the administrative burdens for charities and suggest that the SMB consider whether it could be enhanced.
26. We would like to see examples of accounts included as an Appendix to the SORP (or published separately) as we believe that charities have found such examples helpful in the past. The example accounts could cross refer to the relevant sections of the SORP, so would also act as a navigation tool for users.
27. We think it would be appropriate for initiatives like this that are aimed at improving the regulatory regime to be funded through public funds.

TIERING [Q1-5 OF THE CONSULTATION]

NEED FOR TIERED APPROACH

28. We agree that some of the SORP requirements imposed on larger charities should not be imposed on smaller ones in the interests of proportionality. A tiered approach is therefore welcome.

METRICS TO DETERMINE TIERS

29. It is proposed that gross income will be the measure applied to determine the tiers. This should be a relatively simple metric for charities to understand, which is a sufficiently important matter in this context for us to support the approach. However, as in other cases where this metric is used, it is a blunt tool. For example, capital gains on investments might not be counted, but investment income would be, so that one charity with a strategy for investment returns might exceed the income threshold when another, with the same profile except in respect of investments, might not.
30. For reasons noted in our Rep 42/25 referred to above, we suggest that a charity should only move from one tier to another if it exceeds the threshold in two financial periods out of three.
31. The differences between the requirements for the various tiers, both in number and significance is, in our view, relatively modest. As noted under Key Points above, the proposed SORP will still be onerous for many charities in tier 1, especially those at the smaller end of the scale; we comment further on that in the section on “Small Charities” at the end of this response.

DIFFERING REQUIREMENTS FOR THE TIERS

32. We have the following comments on specific provisions/exemptions for tiers 1 and 2:

Natural classification

33. The enhanced guidance for tier 1 to use natural classification, with the new illustrative table, is helpful and been widely welcomed by our members.

Cash flow statement

34. While it is, of course, essential for all charities to manage their cash flows, we do not see much value in requiring charities to produce cash flow statements for prior periods in their financial statements. We think that, at any given time, it would be more useful for funders or other stakeholders to see cash flow forecasts than historic information of this kind. We therefore agree that tier 1 charities should not be required to produce cash flow statements. We would support removal of the requirements for tiers 2 and 3 as well or, alternatively, that the threshold for the statement requirement is made consistent with that for companies, as there would then be no additional burden for charitable companies who need to produce them anyhow, and a level playing field for other legal forms of charities.

LEVEL OF THE THRESHOLD

35. As regards the level of threshold for determining the tiers, we believe that this should be considered by the SMB and DCMS together in the context of the DCMS review of financial thresholds referred to in Key Points above, with a view to reducing the number of thresholds where appropriate and to adopt a common rationale for setting them where possible.
36. In the interests of simplifying the regime as much as possible, we suggest that the threshold between tier 1 and 2 should be the same as the threshold for audit in the jurisdiction to which any given charity is located. So, the threshold would currently be £1million for a Charity in England and Wales, but that might increase to, say, £1.5 million following the review of thresholds (as we hope it will). The reduced burdens would be

welcomed by many of these charities without significant adverse impact in terms of the sector as a whole.

37. We are not convinced that the difference in reporting requirements between tiers 2 and 3 merits having a separate tier just for that purpose, but that does not mean that we would want tier 3 requirements imposed on charities that are below the tier 3 threshold. As noted in Key Points above, we believe that there should be substantially reduced reporting requirements for smaller charities. It would be necessary to consider what threshold would apply in that context if and when the reforms necessary to bring that about are considered.

COMMENTS ON SELECTED MODULES OF THE EXPOSURE DRAFT

MODULE 1. TRUSTEES' ANNUAL REPORT [Q6-14]

Reserves

38. We welcome the increased clarity on reserves, including the additional references within the glossary.

Sustainability

39. Our comments under Key Points on drafting and use of the term “encouraged” apply here.
40. We agree that charities in tier 1 and 2 should be excluded from these requirements.
41. As regards tier 3, the current wording on sustainability reporting is so general in nature as to be of little value in our view. We do not believe that the provisions will result in materially more comparability between one charity and another. If this reporting requirement is to be retained as a substantive item, it should be made more specific, which may itself be a challenge. Consistency with pre-existing requirements would be desirable so that, for example, the Streamlined Energy and Carbon Reporting requirements applicable to companies of the requisite size, might be applied similarly to similarly sized charities that are not companies.
42. The text is included after the ‘reference and administrative details’ section but we suggest it would flow better if included in the achievements and performance section.
43. It would be helpful if the narrative could cover the link between sustainability considerations and investments, following Charity Commission guidance CC14.

Impact reporting

44. We suggest that charities should be expressly permitted to cover impact reporting in an external document, including their websites, to reduce the length of the trustees’ annual reports as can currently be done for sustainability reporting.

Volunteers (Objectives and activities)

45. Section 1.22 of the exposure draft SORP says valuing the contribution of general volunteers, “often” prevents this being included in the statement of financial activities, but Section 6.20 says that “Given the absence of a reliable measurement basis, the contribution of general volunteers must not be included as income in charity accounts”. The two comments are not completely consistent which will create confusion if users do not look at both sections of the document. We suggest that section 1.22 should be removed or amended to match 6.20 as this is an area of common misunderstanding in smaller volunteer run charities. We agree with section 6.20 that any requirement to

quantify the financial value of volunteers would be extremely difficult or impractical to do and involve a disproportionate amount of work for charities.

Miscellaneous

46. Please see also our comments on other relevant modules, eg, on designated funds and legacies. Where issues of judgement on material matters are concerned we believe they should be disclosed in notes to the financial statements, and duplication in the trustees' annual report should be avoided.

MODULE 2. FUND ACCOUNTING

Designated funds

47. Section 2.8 of the exposure draft SORP envisages that designations can made “and removed at a later date”. We assume that this relates to designations before the end of a reporting period, though this could usefully be stated if so. Section 13.9 says that estimates “can be changed after the reporting period, but no designation can be changed for a new purpose”. As we understand it, this permits charities to designate funds for relatively broad purposes during the year and therefore relatively easily increase the estimated designated funds after year end or to reduce (to zero) the amounts designated in the annual statements after year end.
48. The SORP makes clear that there are no legal restrictions on use of designated funds (section 2.8.) and the glossary refers to amounts “set aside” by the charity. However, the term “committed” is also used (eg, section 1.4). It may be helpful to explain what is meant by “committed” (or avoid using the term in this context) and we suggest that the term “earmarked” may be easier for people to understand than “designated”.
49. Given the absence of any legal significance to the designation, we query how useful reporting of designated funds is to users such as potential funders. We also note that smaller charities may rely on external service providers to help them prepare their formal year end accounts and may not understand until late in the day what amounts might be designated. As a result, in practice, the restriction on designating after a year end may impact smaller charities disproportionately.

MODULE 4. STATEMENT OF FINANCIAL ACTIVITIES [Q15-24]

50. We welcome the additional materials provided in relation to use of natural classification for tier 1 charities.
51. Table 5 includes fundraising costs as an example heading in the analysis of expenses incurred on charitable activities and it might be helpful to give an explanation for this.

MODULE 5. RECOGNITION OF INCOME, INCLUDING LEGACIES, GRANTS AND CONTRACT INCOME

52. We note that the title of this module does not track the sub-headings within it.

Exchange transactions and non-exchange transactions – general comments

53. In our view, too much of the text up to section 5.58 repeats or paraphrases the provisions of FRS 102 and some of the text will be difficult for many charities to digest.
54. A particular area of concern is whether charities should characterise a “grant” with performance conditions as an exchange or non-exchange transaction.

55. The drafting of some of the text is difficult to follow. For example, section 5.15 defines a contract as an agreement that creates enforceable rights and obligations but does not say what are the essential components of a contract (from a legal perspective). It says that a contract can take the form of a verbal undertaking but does not say what other components would be necessary for a verbal undertaking to form part of a contract (a verbal undertaking alone may not do so). “Contract” is also defined (differently) in the Glossary.
56. In order to avoid possible misunderstandings, we believe that the SMB should provide more illustrations of how these provisions would apply to different types of grant arrangement found in the sector and that such illustrations could usefully be published as information sheets or the like (as suggested earlier in this response).

Exchange transactions and non-exchange transactions – capital grants

57. FRS 102 allows the accounting for the receipt of a capital grant on either a performance or accruals basis, but the current and proposed SORP only allows the performance model. This means a charity in receipt of capital grants used to purchase fixed assets must recognise the grant in full when the asset is purchased but the cost of the asset hits the SOFA in the form of depreciation over the life of the asset. This results in a ‘lumpiness’ in reported results, with an artificially enlarged surplus in year one when the asset is bought, and higher costs in later years as the depreciation charges are recognised. It would be simpler for charity accountants to be able to defer the (capital) grant and release the income to match the SOFA charge over time, in accordance with the matching principle inherent in GAAP and aligning with non-charity reporting. We would like to see the draft SORP amended to remove what we consider to be an anomaly in this respect.
58. The current SORP’s approach (and by default the approach of the exposure draft) requires the full income to be recognised and classified within a restricted or, where applicable, designated fund (as appropriate), against which annual depreciation would be charged year on year until exhausted. We have received widespread feedback that charities often find such accounting for capital grant receipts under the current performance model to be arcane.

Legacies

59. We note that the SORP allows for a degree of flexibility in recognition of accrued legacy income and that there are varying practices in the market, so that in some cases a charity might not recognise the income until it is received and other cases a portfolio approach is adopted and income is recognised based on estimates. On balance, we think the approach in the exposure draft SORP is a reasonable one. More examples would be useful of when the SORP would expect a legacy to be recognised and when it would not.
60. Section 5.95 of the exposure draft SORP refers to a third party will notification service provider. We do not think that it is appropriate for the SMB to highlight a specific commercial entity in this sort of way.

MODULE 6. DONATED GOODS, FACILITIES AND SERVICES, INCLUDING VOLUNTEERS

61. Please see our comments on donated leases/assets in relation to module 10B below.

MODULE 9. DISCLOSURE OF TRUSTEE AND STAFF REMUNERATION, RELATED PARTY AND OTHER TRANSACTIONS

62. Section 33.1A of FRS 102 excludes transactions between wholly owned subsidiaries from the related party disclosure requirements and we are not clear why the exposure draft SORP does not do the same.
63. The drafting of para 9.20 could be improved to avoid double negatives etc. It provides exemption from the disclosure of related party transactions if they are not “considered to have influenced the charity’s activities or use of resources”. The current wording seems unhelpful in the specific example of non-contractual payments made to members of key management personnel as part of exit arrangements which, under the current SORP are required to be disclosed. We suggest that SMB reviews the related party disclosure section again to see if it can be improved.
64. Section 9.26 requires the notes to the accounts to provide details of each and every ex-gratia payment made, which we think unnecessarily onerous and suggest that the current language be retained.
65. Section 9.25 contains a definition of “ex-gratia payment” but the term is defined differently in the glossary. It might be helpful to explain what is meant by the “legal authority” that is to be disclosed given that, by definition, the charity does not have legal power to make the payment – we assume the reference is to the Court or other bodies referred to earlier.
66. We believe that, as a general rule, thresholds of a fixed monetary amount should be increased by inflation periodically (see our Rep 42/25). For this reason, we believe that the thresholds for payments to employees etc over £60,000 should be increased for inflation.
67. The definition of employee benefits is not always easy to apply and further explanations of the requirements would be welcome.

MODULE 10B – LEASE ACCOUNTING [Q25-29]

68. Smaller charities may not be alone in finding the new FRS 102 lease provisions challenging, but they do face some challenges that are unlikely to be so widely encountered in a commercial environment and may have fewer resources available for understand and comply with them. We understand that the SMB is unable to derogate from relevant provisions in FRS 102 in the SORP so that there is now limited scope to alleviate the impact these provisions are likely to have on charities to which they apply, particularly smaller charities. However, we hope that the SMB will do what it can in the short term and will engage in wider reform initiatives in the longer term as suggested earlier.
69. The following commentary is intended to highlight areas of concern that have been drawn to our attention. In the interests of brevity, we have not provided detailed technical commentary, but we would be happy to discuss with the SMB to explain the concerns more fully if that would be useful.
70. We are concerned that the application of FRS 102 in the context of social donation leases and non-exchange components of a lease as described in the SORP will be difficult for many impacted charities to understand and implement. There are potentially a lot of factors that could be a matter of subjective judgement or that would take a disproportionate amount of time and effort to evaluate by objective measures.
71. The donation element of leases also impacts gross income, and this can put charities above certain thresholds, e.g. income threshold for independent examination or audit,

and tier thresholds, when the only thing that has changed is the accounting requirement. This should be taken into account when those thresholds are being set.

72. We suggest that the commentary on “low value” leases could be expanded to explain how, in practice, leases might be “low value” assets.
73. Table 9A in module 10B addresses the value to the charity but it is unclear to us how this relates to section 6.18 which says if consumption is not immediate it should be recognised as an asset (which is fair value not the value to the charity).
74. Assuming that it is not possible to simplify the FRS 102 regime on leases as applied to the sector, we suggest that module 10B could benefit with more examples being given of lease arrangements found within the charity sector that may give rise to specific accounting challenges and how they should be accounted for under FRS 102, for example:
 - How to differentiate a social lease from a commercial lease;
 - How to differentiate a social lease from a peppercorn arrangement;
 - How to value the non-exchange transaction element of a social lease/peppercorn arrangement.
 - Criteria for when a lease becomes, or does not become, an “asset”
 - How to assess fair value of, say, a long lease restricted to use as a performance space by a performance charity.
75. Much of this module repeats or paraphrases material from FRS 102. We understand that this may be helpful for some charities as these are new requirements in FRS 102, but it does add to the length of the SORP.

MODULE 14. STATEMENT OF CASH FLOWS [Q30-31]

76. Please see comments on “tiering” above.

MODULE 17. RETIREMENT BENEFITS

77. This section does not appear to have any guidance specific to charities but is largely a reiteration of FRS 102, so we are unclear why it is included.

MODULE 21. ACCOUNTING FOR SOCIAL INVESTMENTS Q35-39]

78. We understand that SMB wishes to simplify the definitions of social investments by removing the separate definitions of “programme investments” and “mixed-motive” investment and so follow the approach in its guidance (CC14) and be consistent with the underlying legislation on the subject.
79. However, it is important that the changes do not have the result of excluding from the proposed new definition of social investment arrangements that were formerly included in the definition of programme related investments. Section 21.7 of the exposure draft SORP uses the term “social investment” to describe “a class of assets that comprises investments made for both a financial return and to further the investing charities’ purpose” and the example given in the following section is of a loan on which interest is payable. This might create the impression that a narrower definition is envisaged than in the underlying legislation or CC14. We suggest that further explanation be given along the lines of CC14 which makes clear that “at least some money has to be expected to

come back to your charity” (so distinguishing a social investment from a gift, for example).

80. While the changes may appear largely to be definitional, it appears that they could result in changes to accounting treatment of certain transactions or arrangements and we do not know if SMB has considered all the various scenarios where this might arise. This is, therefore, an area that might benefit from further discussion between SMB and relevant stakeholders. In any event, it would also be helpful if the SMB could provide more examples of the accounting treatment for different types of social investments.

APPENDIX 1 GLOSSARY

81. As noted elsewhere in this response, not all terms defined in the glossary are used consistently throughout the SORP.
82. It is helpful that the glossary now gives a definition of “government” but some further clarification would still be helpful. For example, does the NHS count as “government” (eg, by virtue of being a body “similar to” a “government agency”)?

COMMENTS ON CONSULTATION QUESTIONS NOT OTHERWISE COVERED

SMALLER CHARITIES [Q40-41]

83. It is apparent from our earlier comments that we do not think that the proposed SORP will be as helpful for smaller charities as it could be and that the regulatory framework, of which the SORP is only part, is too complex for them.
84. The requirement for relevant charities to apply FRS 102 is a significant contributory factor to the challenges being faced. The *Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard for Smaller Entities* (“**FRSSE**”) provided a more proportionate framework but was withdrawn in 2016. We doubt that allowing charities to apply FRS 102 Section 1A would provide a complete answer and believe that a more extensive review of the regulatory framework applicable to smaller charities and, potentially, more radical regulatory reform is likely to be required if the regime is to be less burdensome for them.

OTHER COMMENTS [Q42]

85. The reference in the charity accounting regulations for England and Wales has still not been updated to refer to the current SORP. We trust that it will be updated to the new SORP when it comes into force.