

# Minutes

**Board** Charities SORP Committee

**Date** 2 March 2022

**Time** 10:00 – 12:25

**Venue** Microsoft Teams

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Joint Chair	Laura Anderson Rossa Keown Will Lifford	<i>Office of the Scottish Charity Regulator (OSCR)</i> <i>Charity Commission for Northern Ireland (CCNI)</i> <i>Charity Commission for England and Wales (CCEW)</i>
Members present	Caron Bradshaw Daniel Chan Tony Clarke Tom Connaughton Diarmaid Ó Corrbuí Tim Hencher Noel Hyndman Joanna Pittman Carol Rudge Max Rutherford Jenny Simpson Neal Trup	<i>Charity Finance Group</i> <i>PwC</i> <i>Clarke &amp; Co Accountants</i> <i>The Rehab Group</i> <i>Carmichael Centre for Voluntary Groups</i> <i>Scottish Council for Voluntary Organisations</i> <i>Queen's University Belfast</i> <i>Sayer Vincent</i> <i>HW Fisher</i> <i>Association of Charitable Foundations</i> <i>Wylie and Bisset LLP</i> <i>Neal Howard Limited</i>
In attendance	Alison Bonathan Gillian McKay	<i>CIPFA, Secretariat to the SORP Committee</i> <i>CIPFA, Secretariat to the SORP Committee</i>

	Sarah Sheen	<i>CIPFA, Secretariat to the SORP Committee</i>
Observers	Deirdre O'Dwyer	<i>Charity Commission for England and Wales (CCEW)</i>
	Jelena Griscenko	<i>The Charities Regulator in Ireland</i>
	Claire Morrison	<i>Office of the Scottish Charity Regulator (OSCR)</i>
	Adrian Wallis	<i>Financial Reporting Council (FRC)</i>
	Amie Woods	<i>Charity Commission for England and Wales (CCEW)</i>
Apologies	Michael Brougham	<i>Independent Examiner</i>
	Gareth Hughes	<i>Diocese of Down and Connor</i>

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

- 1.1 The Chair welcomed SORP Committee Members to the meeting.  
The Chair thanked Committee Members for their commitment to the process.

**1.2 Declarations of interest**

- 1.3 The Chair noted three standing declarations of interest:  
Daniel Chan sits on the CIPFA Charities and Public Benefit Entities Board.  
Sarah Sheen has worked substantially for CIPFA on the IFR4NPO project and is secretariat to the CIPFA Charities and Public Benefit Entities Faculty Board.  
Caron Bradshaw is a Country Champion for the IFR4NPO project.  
No other declarations of interest were noted.

**2. FRC update – progress on periodic review and timing of new FRS 102**

- 2.1 The representative from the FRC provided a brief update on the progress of the periodic review of FRS 102.  
The Committee was reminded of the amended timetable for the production of the new FRS 102, i.e. the effective date for the revised FRS 102 will not be before 1 January 2025.  
The Committee was advised that the FRC will be scheduling a series of meetings with SORP-making bodies on the development of the Financial Reporting Exposure Draft (FRED) to take place from the end of March.

**3. Paper 1 – Drafting timetable**

- 3.1 The Chair introduced Paper 1.  
The Chair commented that planning to date had been based on the previous timetable from the FRC in which the effective date for the revised FRS 102 was not to

be before 1 January 2024. Noting that the timetable from the FRC is not yet finalised, the Chair commented that the Charities SORP Committee needs to consider how the revised timetable from the FRC will impact the upcoming Charities SORP drafting process.

The Chair noted that agreements with both Committee Members and Engagement Strand Convenors and Members present a potential issue due to their end dates. Additionally, the contract for CIPFA to provide Secretariat services ends in 2023 at which point a re-tendering exercise will be required. The Chair commented that continuity of membership of the Charities SORP Committee and the Engagement Strands is important, but that it may be difficult to achieve if Members are not able to continue with the process beyond their agreed end date.

The Chair noted that the proposed drafting timetable has been updated to prioritise aspects of the Charities SORP that are not reliant on FRS 102. For example, drafting of the requirements around narrative content has been brought forward in the proposed drafting timetable. Additionally, the proposed drafting timetable has been updated to reflect the revised timetable from the FRC, with meetings included every eight weeks and a proposed publication date for the new Charities SORP of August 2024.

The Chair invited comments from Committee Members on Paper 1.

### 3.2 **Committee Discussion of Paper 1**

#### 3.3 ***Committee Member and Engagement Strand contracts***

A Committee Member noted that, per section 3.1 of Paper 1, the agreed term for Charities SORP Committee Members can be extended for 12 months by mutual agreement. However, for individual members of the Committee, this implies an end date of 2023. Should Committee Members decide to leave the Committee in 2023, there will be vacancies on the Committee for the last months of the process. It will be challenging to ensure any new Committee Members are 'up to speed'. The Chair responded that the Joint Chairs are hopeful that Committee Members will remain on the Committee throughout the process and are looking for agreement from Committee Members. There is flexibility with respect to offering extensions. Although there is commentary in the FRC Policy on the Development of SORPs (FRC 2021) this does not appear to prohibit such extensions if proper due process is followed.

A Committee Member agreed that it would be challenging if the Committee membership was to change before the end of the process and asked whether Committee Members could commit to remain on the Committee until the end of the process at this stage. Two Committee Members commented that they would want to remain on the Committee until the end of the process.

A Committee Member commented that from a governance point of view, consideration should be given to the reasons why the agreements covered a specified number of years before it is agreed that Committee Members can continue until the end of the process. The Committee Member suggested that in future, and in light of delays in the revision of previous versions of the Charities SORP, agreements could be written to cover the whole period in which the SORP is rewritten. The Committee

Member questioned why, per Section 3.1 of Paper 1, Committee Members are not permitted to serve more than two consecutive terms.

The Chair responded that the SORP Governance Review highlighted the need to refresh the Committee membership. The Chair confirmed that the Joint Chairs would support existing Committee Members in remaining on the Charities SORP Committee until the end of the development process for the SORP. The Joint Chairs would want to retain Committee Members' knowledge as much as possible. The original term lengths had been based on the timetable for FRS 102. The FRC Policy on the Development of SORPs refers to "the need for membership to be periodically refreshed", but does not specify maximum term length. It is therefore possible for the Joint Chairs to reconsider term lengths in the future.

#### 3.4 ***Timetable for Drafting – Topics***

The Chair commented that for some aspects the SORP is having to be drafted in the absence of certainty. The Charities SORP Committee does not know what will be in the new FRS 102. There is therefore a risk that resources are wasted on drafting content that will be revisited once the new FRS 102 is available. However, the Chair noted that the alternative is to wait until the Financial Reporting Exposure Draft (FRED) is available. This would leave too little time for drafting, therefore the Chair reflected that waiting for the FRED is a risky approach.

A Committee Member reflected on previous Committee discussions that narrative reporting is a topic where there is likely to be more scope for making changes to the SORP. The Committee Member commented that one meeting may be insufficient to address the topic of narrative reporting. The Chair responded that the timetable is tight, but that the Joint Chairs could reflect on whether there is time for an additional meeting. The Chair reminded Committee Members that the agenda for each meeting during the drafting stage will allow time for the consideration of emerging issues, which will include updates on the new FRS 102.

Joint Chairs

A Committee Member commented that the topic groupings in the proposed timetable seems unequal, with some topic groupings likely to require more thought and discussion than others. The Committee Member commented that it would be challenging to complete the work on Income in one meeting. The Secretariat noted that Committee Members will have more than one opportunity to consider all topics per the proposed timetable. The Secretariat will prepare a first draft of content for each topic group based on the outcome of Committee discussions prior to the drafting stage. Following Committee discussion of the first draft, the Secretariat will produce a final draft which will be presented at the following meeting. Two meetings at the end of drafting stage will be used to consider the SORP as a whole.

The Chair acknowledged that Committee Members would like to know the dates for future meetings as soon as possible. The Chair reflected that the Committee has previously discussed the possibility of longer meetings, noting that this could be a solution for discussions of topic groups, such as narrative reporting, that need more time.

The Chair confirmed that Committee Members were happy with the proposed order for topic groupings as shown in the timetable in Paper 1. No comments were noted,

therefore the Chair concluded that Committee Members agreed with the proposed order of topics.

**3.5 Secretariat contract**

A Committee Member asked whether the CIPFA contract can be extended. The Chair clarified that the CIPFA contract has already been extended, therefore the contract will have need to be subject to a tendering process in 2023. A further extension will not be possible. The Committee Member noted that this created a risk as it may be difficult for a new Secretariat to take over from CIPFA part-way through drafting. The Chair commented that the invitation to tender would be clear on the timetable for the process.

A Committee Member asked whether it would be possible to bring forward the tendering process for Secretariat services forward to allow a degree of certainty.

**3.6 Other aspects of drafting**

A Committee Member asked about the extent to which the work of the Charities SORP Committee will be in the public domain throughout drafting. The Committee Member commented that the Committee might need to revisit decisions given the uncertainty around the new FRS 102 therefore it may be disadvantageous to stakeholders for the Committee's tentative decisions to be in the public domain.

The Chair agreed that, while the Committee would want to be as transparent as possible, the work of the Committee is at a sensitive stage. The Secretariat suggested that the Committee could be as transparent as possible, but that drafts should not be published. The Secretariat commented that it would be problematic if stakeholders were to rely on early drafts that were later changed. The Chair agreed that the Committee should continue as normal unless there is a reason not to. The Joint Chairs will consider this issue before the next meeting.

Joint Chairs

A Committee Member suggested that the issue might be resolved by the use of a disclaimer on meeting minutes. The Secretariat advised that CIPFA can include a footnote on the minutes of future meetings that the final decisions of the Committee will be in the Consultation Paper.

CIPFA

A Committee Member asked whether the timetable might be revisited if the FRC changes its position. The Chair responded that it might be, reminding Committee Members that each meeting in the drafting phase will have time in the agenda for discussion of emerging issues such as changes to the FRC's position.

**3.7 Paper 1: Chair's Summary of Discussions**

**3.8** The Chair reflected that SORP Committee Members generally appear to want to remain on the Committee until the end of the process, therefore the Joint Chairs can think about arrangements to make this possible.

Joint Chairs

The Chair commented that some future meetings may need to be longer than three hours to allow for thorough discussion of certain topics such as narrative reporting. The Chair reflected that this may be preferable to scheduling additional meetings as Committee Members have already committed to attend eight meetings.

The Chair noted that there may be a need to include caveats or a disclaimer on the minutes of future meetings to alert users to the fact that decisions may be revisited as FRS 102 is finalised.

The Chair confirmed that Committee Members were happy with the proposed order for topic groupings as shown in the timetable in Paper 1.

#### **4. Paper 2: Tiered Reporting**

4.1 The Chair invited the Secretariat to introduce Paper 2.

The Secretariat emphasised that feedback from the Engagement Strands and previous Charities SORP Committee discussions had not led to outright consensus. Paper 2 therefore summarises preferences put forward by the Engagement Strands and Charities SORP Committee to date.

The Chair highlighted Section 7 of Paper 2 as suggestions to frame discussion during the meeting.

The Chair invited comments from the Committee.

#### **4.2 Committee discussion of Paper 2**

4.3 A Committee Member questioned whether the aim for tiered reporting is to remove complexity for smaller charities, to improve transparency for larger charities or a combination of the two. To the extent that the aim is to reduce complexity for smaller charities, the Committee Member expressed the view that the capabilities of charities and what the Committee intends to remove from the SORP for smaller charities are more important than the thresholds. The Committee Member commented that consideration needs to be given to what reporting requirements will look like before thresholds can be set.

4.4 A Committee Member commented that tiered reporting is not purely about supporting preparers but is also about making accounts easier to read.

The Committee Member expressed the view that a situation of several different thresholds for different purposes should be avoided. £250k already exists as a threshold, being the threshold for receipts and payments accounts. £1m is the audit threshold in England and Wales. The Committee Member expressed a view that £250k would be suitable as a threshold for smaller charities. The threshold for medium charities could then be £1m, in line with the audit threshold in England and Wales.

On the question of charities moving between tiers frequently where their income is close to the threshold, the Committee Member noted that there are not many charities with income between £990k and £1.1m, therefore moving between tiers is likely to be less of an issue in the Committee Member's view.

The Committee Member noted the need to promote receipts and payments accounting.

4.5 A Committee Member agreed that the Committee needs to better understand the accounting and reporting differences between the tiers before it will be possible to decide what the thresholds should be.

The Committee Member questioned whether balance sheet figures and the number of employees should be considered when determining the tier a charity is in. The Committee Member noted this would add to complexity.

The Committee Member reflected that the focus should be on smaller charities. The Committee Member expressed a view that a charity with income of £1m is small and that a threshold around £25m - £50m would be suitable. The Committee Member requested additional data to assist decision making.

- 4.6 A Committee Member agreed that it would be useful to discuss the reporting requirements intended for different tiers before agreeing on the thresholds.

The Committee Member commented that charities with income between £250k and £500k may be disadvantaged if they were to be considered 'medium' rather than, as at present, 'small'. With respect to establishing a threshold, the Committee Member expressed a preference for using the Companies Act 2006 threshold of £10.2m. The Committee Member expressed a preference for thresholds based on income only to avoid complication.

The Committee Member noted the need to be mindful of charities' capabilities and of Section 1A of FRS 102.

- 4.7 A Committee Member expressed support for setting thresholds at £250k and £1m. The Committee Member agreed that a charity with income of £1m is not large, therefore suggested a fourth tier for 'super large' charities. The threshold could be set using the definition of a large company per the Companies Act 2006. The Committee Member noted that the outcome of the Department for Business, Energy and Industrial Strategy consultation on Restoring Trust in Audit and Corporate Governance (the BEIS consultation) may be relevant, once it is available. The Committee Member noted that the Companies Act 2006 definition of turnover differs from the definition of income in a charity's accounts. [*The Secretariat would note that this issue is addressed in [Information Sheet 3: The Companies \(Miscellaneous Reporting\) Regulations 2018 and UK Company Charities.](#)*]

The Committee Member questioned whether it would be suitable to consider a charity's income in previous years when determining its tier in situations where a charity has an exceptional level of income in a year.

- 4.8 A Committee Member expressed support for three tiers.

The Committee Member noted that charities may be using the SORP rather than receipts and payments due to advice from external accountants, and expressed the view that trustees would benefit from support to determine if receipts and payments could be applied.

- 4.9 The Secretariat commented that tiers could be referred to as 1, 2 and 3 rather than small, medium and large to avoid potential confusion. The Secretariat advised that if the Committee suggests characteristics for each tier, CIPFA can be mindful of this when drafting.

- 4.10 The Chair commented that the aim should be to improve the quality and consistency of reporting, and expressed the view that there should be clarity for charities on what they need to do, including on whether they need to use the SORP.

A Joint Chair noted that there should be demonstrable differences between the tiers and that the differences are likely to be in narrative reporting.

- 4.11 A Committee Member agreed with the view that charities in the £250k - £500k range should not be included in the 'medium' tier given that these charities are considered 'small' in the current SORP. The Committee Member expressed a preference for leaving the threshold for smaller charities at £500k and setting a threshold of £10m for larger charities if there is an intention to require more from larger charities by way of reporting.

The Committee Member expressed support for setting thresholds based on income only, and for applying a two year rule to avoid charities moving between tiers on an annual basis.

- 4.12 A Committee Member commented that, rather than reducing the 'small' threshold to £250k, the 'small' threshold could be increased to £1m. A lower threshold set at £250k would effectively allow for a 'very small' tier.

- 4.13 A Committee Member noted that an increase in the current threshold from £500k to £1m was discussed when the audit threshold increased. The Committee Member commented that thought should be given to the potential implications of changing the tiers to ensure that decisions are informed.

- 4.14 A Committee Member suggested that if a charity does have exceptionally high income for a single year, there could be a mechanism to allow trustees to elect to stay in the lower tier for a single year. The Committee Member commented that there would be few occasions when this will happen.

- 4.15 A Committee Member commented that it would be beneficial to assess the impact of changes to the thresholds for tiers before agreeing to the levels of income at which thresholds will be set. The Committee Member noted that any impact assessment should reflect differences between jurisdictions.

The Committee Member questioned whether it would be beneficial to have a 'super large' tier if it were to include very few charities.

- 4.16 **Chair's summary of discussions of Paper 2**

- 4.17 The Chair noted that a benefit of using £250k as a threshold is that it is already accepted in the sector, being the threshold for receipts and payments accounts.

The Chair reflected that there appears to be support for setting the threshold for the upper tier at more than £1m.

The Chair noted that the consensus of the Committee is to refer to income only when determining the tier a charity is in, and that there is some support for a 'smoothing' mechanism to avoid charities moving between tiers frequently, although this would add to complexity. The Chair noted the suggestion of a two year rule.

The Chair noted the suggestion to refer to tiers as 1, 2 and 3 rather than small, medium and large.

- 4.18 **Preparations for the next discussion of tiered reporting**



4.19 Noting that Committee Members had requested more information on how the SORP could differentiate reporting requirements for different tiers, the Chair suggested carrying the discussion into the next meeting to allow for the preparation of additional papers. This could be by way of a workshop rather than a round-table discussion.

A Committee Member noted the need for additional information to ensure a more scientific approach can be taken. Another Committee Member noted the need for additional information to reflect jurisdictional issues.

A Committee Member noted that it will be difficult to set the tiers without first better understanding what issues the SORP Committee is attempting to resolve.

The Chair commented that it will be useful to consider how the different tiers will be reflected in the SORP. A Committee Member commented that a digital version of the SORP could include tailoring questions to ensure charities see the relevant sections of the SORP. Another Committee Member commented on the need for simplicity in the SORP, and that charities should not be required to read a whole module to pick out one or two relevant sentences.

The Chair confirmed that extra information on what the tiers might look like can be prepared for the meeting in May.

The Chair suggested future discussions could start with a review of the current requirements for 'small' charities to determine where improvements can be made in line with the SORP Governance Review requirement to think small first.

A Committee Member noted the need to think about any additional requirements that might allow for greater transparency in the reporting of larger charities.

Use of a survey between meetings was considered to attempt to establish common ground between Committee Members as a starting point for discussions at the next meeting. However, after debate this was not agreed on due to the potential issues around interpretation of more complex questions and responses. The Chair noted the Committee's caution over the use of a survey, but commented that conclusions will need to be drawn in the next meeting given the tight drafting timetable.

The Chair suggested an additional paper for the next meeting that contains an example of an approach as a starting point for discussion – this would provide a position to critique. There was some support for this suggestion from the Committee. The Joint Chairs will consider the best approach to this idea and what would be needed by way of papers to facilitate discussions and decision making before the next meeting.

Joint Chairs

A Committee Member questioned what would differentiate the session, intended as a workshop, from other Committee discussions. Another Committee Member questioned whether an Engagement Strand convenor could be involved in the session. The Joint Chairs will discuss how the session will be run before the next meeting.

Joint Chairs

A Committee Member questioned whether the session could be held in person rather than virtually. The Secretariat noted that CIPFA would not be able to facilitate an in-person meeting due current policies about such meetings in response to Covid-19. The Chair responded that this may be challenging from a scheduling point of view,

and that online meetings offer the opportunity for inclusivity that would not be possible if the meeting were to become a hybrid meeting.

A Committee Member noted the need to separate tiers from thresholds and expressed a view that the Committee should consider what currently causes problems for very small and very large charities using minutes from previous meetings as a reference.

**5. Any other business including future Committee meetings**

**5.1 Future meetings**

Dates for future meetings will be arranged as soon as possible.

Joint Chairs/  
CIPFA

**5.2 AOB**

An update on the work of the IASB's SME Implementation Group (SMEIG) will be presented at the next meeting.

Joint Chairs/  
CIPFA

Minutes from the meetings held on 26 January 2022 and 16 February 2022 will be agreed by correspondence.

CIPFA

The Chair thanked the Committee and closed the meeting.