

Charities SORP Committee Minutes

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| Date | 3 February 2016 | |
| Venue | CIPFA Offices, 160 Dundee Street, Edinburgh | |
| Joint Chair | Laura Anderson Nigel Davies | <i>OSCR Charities Commission in England and Wales</i> |
| Members Present | Sarah Anderson Caron Bradshaw Richard Bray Tom Connaughton Pat Dennigan Mark Hill Geoff Hunt Noel Hyndman Kenneth McDowell Sheila Nordon Carol Rudge Jenny Simpson Darren Spivey | <i>Deloitte LLP CFG Cancer Research UK The Rehab Group Focus Ireland Sainsbury Family Charitable Trusts Wolfson Foundation Queen's University, Belfast Saffery Champness ICTR Grant Thornton Wylie & Bissett LLP Royal National Lifeboat Institution</i> |
| In attendance | Matthew Allen Jenny Carter Pesh Framjee Fiona Muldoon Una Ní Dhubhghaill Alison Scott Claire Stuart | <i>CIPFA FRC Crowe Clark Whitehill, Technical Advisor to CIPFA Secretariat Charity Commission Northern Ireland Charity Regulatory Authority CIPFA, Secretary to the SORP Committee OSCR</i> |
| Apologies | Simon Ling Joe Saxton Mark Spofforth | <i>National Association of Arms Houses nfpSynergy Spofforths Chartered Accountants</i> |

Action

- 1 Welcome, Apologies for absences and declarations of interest**
 - 1.1 The joint chairs expressed their pleasure at the number of Committee members who had been able to attend the meeting.
 - 1.2 Apologies for absence were received from Michael Brougham, Simon Ling, Joe Saxton and Mark Spofforth.
 - 1.3 No declarations of interest were made by members of the Committee.

2 Approval of the minutes and matters arising

- 2.1 The minutes of the meeting on 17 November 2015 was approved, subject to the removal of the duplicate of Sheila Nordon's name on the first page.
- 2.2 Turning to matters arising, Alison Scott briefed the Committee on the recent changes in the secretariat and on the measures being taken to recruit a replacement for Anne Davis. If potential candidates were known to the Committee then they should be encouraged to apply.
- 2.3 The Committee asked that Anne Davis's contribution to its work be recorded.

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3 Update On Bulletin

- 3.1 Nigel Davies briefed the Committee on the background to his *Charity Finance* article on the Update Bulletin, before confirming that the Bulletin was now on the dedicated SORP micro-site website for downloading. It would be placed on additional location on the 'customise your SORP' for downloading later in the year.
- 3.2 Nigel explained that the late changes made as a consequence of its consideration by FRC were principally typographic, with the one substantive change relating to merger accounting. To avoid making an isolated reference to true and fair in respect of one item, it was decided instead to substitute for it a reference to appendix IV of FRS 102 (paragraph A4.30A).
- 3.3 Nigel Davies then told the Committee that a response had been submitted to the IFRS Foundation Trustees' consultation setting out the case for a not for profit standard. Jenny Carter was asked what the FRC's view was and she advised that while the merits of this were recognised by the FRC, they argued that taking into account resources and the impact on its work programme it should not be taken on by the IASB.

4 Oral update from the FRC

- 4.1 Jenny Carter briefed the Committee on the FRC forthcoming consultation on its tri-annual review of FRS 102. In doing this she stressed that the final decisions on the timing and scope of the proposals remained to be taken.
- 4.2 Although no changes would be effective before 1 January 2019, working back from this date meant that consultation would take place before then, and it would be important for stakeholders to input into the process.
- 4.3 The scope of the proposals had not been determined, but factors to consider would include whether, how and when changes in IFRS should be applied proportionately to UK-Irish GAAP and the entities within the scope of FRS 102.
- 4.4 Jenny then explained that the decision to disband CAPE had been taken to streamline advisory groups. She reassured the Committee that the membership of UK GAAP Technical Advisory Group (TAG) would be expanded and that it would have the resources to perform its wider remit without introducing delays.

5 Key Issues for SORP Research Consultation (Paper 2)

- 5.1 Nigel Davies opened the Committee consideration of the SORP research programme by explaining that the regulators had collectively brought forward a range of issues that they wished to see considered in the forthcoming consultation. At the same time, it was important to stress that the SORP would continue to be applicable in all four jurisdictions and that regulatory disclosures would be supplementary requirements to those in the SORP if particular needs were identified for a specific jurisdiction.
- 5.2 Given the importance of the checking on how effective the new SORPs had been and the implementation issues identified by users of the SORP and emerging issues that need consideration. The regulators envisaged a consultation being launched in April/May with a December closing date. This would ensure that it would be open during the conference season and more generally maximise the opportunities for productive engagement.
- 5.3 The Committee then split into two break-out groups to discuss the prospective consultation topics proposed.
- 5.4 In the subsequent reporting back from the two break out groups it became apparent that each had approached the discussion in an equally valuable but different manner.

Break Out Group A – Convener Nigel Davies

- 5.5 This group reached the following conclusions:
- The issues in the consultation needed to be grouped under a thematic structure.
 - The public benefit element of the SORP would have to be differentiated by jurisdiction.
 - The splitting of admin and fundraising costs needs to be placed in the context of outputs if it is to be meaningful.
 - Narrative reporting was outside the scope of the SORP and should be addressed by the regulators.
 - Other forms of narrative reporting other than the trustees' annual report are available to charities
 - Reserves – a better balance needs to be struck between guidance and adaptation to local circumstances.
 - The regulators' issues were too many in number and might usefully be grouped in some way (also raised by Group B).

Break Out Group B – Convener Laura Anderson

- 5.6 The group reached the following conclusions:
- The consultations should ask open questions about what would help charities produce better reports. More specific ones could ask, for example, on which topics additional guidance was required.
 - Disclosures relating to compliance with standard legal requirements – e.g. data protection should not be included in the SORP since other means exist to ensure compliance.

- Some fundamental questions needed about why support costs are reported separately.
- The inclusion of fixed assets in net assets in the unrestricted reserves continues to result in confusion: but beyond that the SORP on reserves was thought to be satisfactory – the problems are in its application
- Strong misgivings were expressed about the inclusion of “hot topic” proposals motivated by recent exceptional events.
- It would be worthwhile inviting comments on which elements of the SORP had proved difficult, but it was too early to ask specific questions about scrutiny and preparation costs.

5.7 In reviewing the feedback from the discussions the Committee recommended that the regulators should review those of their research proposals based on “hot topics” to ensure that their inclusion did not unbalance the consultation proposals with consideration given to those topics likely to be underlying long-term issues of importance. **Regs**

5.8 The Committee stressed that the presentation of the regulators’ elements would have to be done sensitively if the survey is to elicit the carefully considered responses necessary to inform the SORP revision process.

6 Next Steps in the SORP Research

6.1 Having received a summary of the discussions of the two break out groups it was agreed that the Secretariat would provide Laura and Nigel with the detailed working notes from the groups **Sec**

6.2 The Committee debated the merits of using focus groups as a way of obtaining a more detailed understanding of the reasons behind the different positions taken by stakeholders. While the principle received some strong support, some doubts were expressed about the practicalities.

6.3 Some members of the Committee stressed that the last consultation had obtained some carefully considered responses, although it was recognised that beneficiaries were under represented. It would be important that the consultation carefully explained often misunderstood items such as the cost ratios so that respondents could give an informed view.

6.4 The Committee then considered the merits of having an explicit micro-regime for smaller charities. There was a consensus that the needs of the smaller charities needed to be recognised, but members of the Committee thought that this could be achieved within the existing modular approach.

6.5 For smaller charities, the administrative convenience of cash accounting had to be balanced against the better financial management offered by accruals accounting. In addition the costs of audit on the one hand and funders’ requirements on the other had to be taken into account. The clear consensus of the Committee was that a better sign-posting of the options would do a great deal to reduce the unintended impact on small charities.

7 SORP Committee Work for 2016

- 7.1 The Committee’s judgement was that the October meeting would be a good time for a “stock take” of the SORP consultation exercise.
- 7.2 Nigel Davies asked that to further this objective members of the Committee provide stock taking or slide packs for the Secretariat to use to produce an agenda for the October meeting.

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8 Any other business and dates for other meetings

- 8.1 The Committee took the view that, given the regulators intended consultation timetable, a meeting should be held at the end of March so that it could review a late version of the consultation proposals. The Secretariat would liaise with the joint chairs to set up a meeting. Given the timing of the close of the consultation, it would be unlikely that the December meeting would take place. The July meeting may be in the form of a telephone conference call and would be used to consider early reactions to the consultation and action necessary to support it.

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The meeting closed at 16.15