

Minutes

Board Charities SORP Committee

Date 5 October 2022

Time 10:00 – 13:00

Venue Microsoft Teams

Joint Chair	Rossa Keown Will Lifford	<i>Charity Commission for Northern Ireland (CCNI)</i> <i>Charity Commission for England and Wales (CCEW)</i>
Members present	Michael Brougham Daniel Chan Tony Clarke Tom Connaughton Noel Hyndman Francesca de Munnich Carol Rudge	<i>Independent Examiner</i> <i>PwC</i> <i>Clarke & Co Accountants</i> <i>The Rehab Group</i> <i>Queen's University Belfast</i> <i>Association of Charitable Foundations</i> <i>HW Fisher</i>
In attendance	Alison Bonathan Steven Cain Gillian McKay Sarah Sheen	<i>CIPFA, Secretariat to the SORP Committee</i> <i>CIPFA, Secretariat to the SORP Committee</i> <i>CIPFA, Secretariat to the SORP Committee</i> <i>CIPFA, Contract Manager</i>
Observers	Deirdre O'Dwyer Jelena Griscenko Peter Malynn	<i>Charity Commission for England and Wales (CCEW)</i> <i>The Charities Regulator in Ireland</i> <i>Charity Commission for England and Wales (CCEW)</i>

Claire Morrison	<i>Office of the Scottish Charity Regulator (OSCR)</i>
Holly Riley	<i>Charity Commission for England and Wales (CCEW)</i>
Adrian Wallis	<i>Financial Reporting Council (FRC)</i>
Amie Woods	<i>Charity Commission for England and Wales (CCEW)</i>

Apologies	Laura Anderson	<i>Office of the Scottish Charity Regulator (OSCR)</i>
	Caron Bradshaw	<i>Charity Finance Group</i>
	Diarmaid Ó Corrbuí	<i>Carmichael Centre for Voluntary Groups</i>
	Tim Hencher	<i>Scottish Council for Voluntary Organisations</i>
	Gareth Hughes	<i>Diocese of Down and Connor</i>
	Joanna Pittman	<i>Sayer Vincent</i>
	Jenny Simpson	<i>Wylie and Bisset LLP</i>
	Neal Trup	<i>Neal Howard Limited</i>

- 1. Welcome, apologies for absences and declarations of interest Action**
- 1.1 The Chair welcomed SORP Committee Members to the meeting.
- 1.2 Declarations of interest**
- 1.3 The Chair noted four standing declarations of interest:
- Daniel Chan sits on the CIPFA Charities and Public Benefit Entities Board.
- Caron Bradshaw is a Country Champion for the IFR4NPO project.
- CIPFA works with Humentum on the IFR4NPO project.
- Sarah Sheen is Secretary to the CIPFA Charities and Public Benefit Entities Faculty Board.
- An additional declaration was recorded. Steven Cain works substantially for CIPFA on the IFR4NPO project. This declaration will be added to the standing declarations.
- The Secretariat noted that Sarah Sheen no longer works substantially for CIPFA on the IFR4NPO project therefore this will no longer be recorded as a standing declaration of interest.
- 2. Paper 1 – Minutes of the Meeting of 26 July 2022**
- 2.1 The Chair reminded the Committee that a disclaimer has been, and will continue to be, added to the minutes. The Chair noted that when discussing redrafted modules from the SORP, the Committee is invited to provide more detailed feedback on points outside the scope of the formal questions included in the meeting papers. Rather than

the Chair asking for feedback on each drafting point, Committee Members are invited to offer feedback at an appropriate point in the meeting.

The minutes were accepted as an accurate record of the meeting held on 26 July 2022.

3. Presentation from the Charity Commission for England & Wales on public trust in charities and charity trustees' experience of their role

3.1 Holly Riley and Peter Malynn from CCEW gave a presentation on public trust in charities.

CCEW

The Chair invited comments and questions from the Charities SORP Committee.

A Committee Member expressed the view that issues around sustainability, diversity and inclusion are not key concerns of users of a charity's accounts unless the charity's activity is relevant to these issues. The Committee Member questioned whether the SORP needed to contain information on sustainability, diversity or inclusion. The Chair suggested that a tiered approach to reporting on these issues could be suitable and expressed the view that sustainability is a big issue. A presenter from CCEW agreed that reporting should be proportionate. A Joint Chair commented that sustainability, diversity and inclusion are important to some users of charities' accounts, therefore there is a fine balance to navigate. The Joint Chair expressed the view that the SORP should encourage trustees to think about the information needs of the users of the accounts.

4. Paper 2 – SORP Drafting. Expenses in the Charities SORP (Modules 4, 7 and 8)

4.1 The Chair commented that Paper 2 is a continuation of the discussions that took place in the July meeting of the Charities SORP Committee.

At the invitation of the Chair, the Secretariat introduced Paper 2. The Secretariat noted that Paper 2 included proposals for a new module on provisions, contingent liabilities and contingent assets. The Secretariat noted that if the Committee supports the proposals for a new module, the module as included in the papers will be further developed, for example to include an introductory section. The Secretariat noted its strong recommendation that the new module should be adopted to improve the presentation of the Charities SORP.

The Chair invited comments on the questions included in Paper 2.

4.2 ***Paper 2 Section 2 – Drafting Suggestions relating to the Structure or format of the SORP***

[Questions in Paper 2

1. *Is the Charities SORP Committee content to retain content on expenses associated with retirement benefits and grant-making in module 7?*
2. *Does the Charities SORP Committee support the inclusion of a stand-alone module on provisions, contingent liabilities and contingent assets in the SORP?*

3. *What are the views of the Charities SORP Committee on the proposed Provisions, Contingent Liabilities and Contingent Assets module as included in the Appendices to this report?*
4. *What are the views of the Committee on re-ordering the SORP such that key concepts and principles are introduced before specific accounting treatments are covered? Does the Committee support re-drafting the SORP in line with this proposal?*
5. *Are there any further changes the Charities SORP Committee believes are necessary to the modules/sub-sections of modules under consideration?]*

Committee Members made no comments on questions 1 – 3. The Chair confirmed that the Committee was content with the suggestions in questions 1 – 3.

On question 4, a Committee Member noted that this would align the SORP with other accounting standards e.g. FRS 102. The Committee Member added that consideration should be given to the extent to which the glossary in the SORP is aligned to the glossary in FRS 102.

The Chair confirmed the Committee was content for the SORP to be re-ordered as suggested in question 4.

4.3 ***Paper 2 – Question 5 and Annex 1, Questions 6 to 13 (Chapter 1, Accounting and reporting by charities: the statement of recommended practice (SORP) – scope and application, and Module 4, Statement of Financial Activities)***

The Chair proposed that question 5 should be addressed alongside consideration of Annex 1. *Please note that the questions from Annex 1 of Paper 2 are included in Annex 1 to these minutes.*

The Chair confirmed that the Committee was content with the suggestions in questions 6 and 7.

Regarding the inclusion in the Charities SORP of minimum headings for a Statement of Financial Activities (SoFA) prepared using natural classifications as covered by question 8, a Committee Member expressed the view that minimum headings help with consistency, and that one of the minimum headings should be 'Staff Costs'. The Secretariat commented that the list of minimum headings as required by the micro-entities company reporting regime and included in Paper 2 is often used in standards. The Secretariat advised against adding to this list.

A Committee Member noted that natural classification could only be adopted by very small charities and expressed the view that the benefit of permitting natural classification may be lost if reporting requirements are overly prescriptive.

The Committee did not reach a consensus on the use of minimum headings for a SoFA prepared using natural classifications. However, the Committee requested that the SORP-making Body review the requirements of other SORPs when deciding on whether minimum headings should be prescribed and, if so, what they should be. A Joint Chair noted that other sectors, for example, the Higher Education sector, are likely to be more homogenous therefore mandated minimum headings may be suitable. The Joint Chair expressed a view that examples, rather than minimum

headings, may help avoid an onerous burden for small charities. A Committee Member agreed that suggested, rather than mandated, headings would be suitable, noting that very small company charities are required to apply the SORP.

The Chair confirmed that the Committee was content with the suggestions in questions 9 and 10.

The Committee discussed questions 11 and 12. A Committee Member questioned the proposed use of 'expenses' rather than 'expenditure' in the SORP. The Secretariat clarified that a change in language is recommended:

- to ensure consistency of the SORP with FRS 102, in which the elements of the financial statements include 'expenses' rather than 'expenditure'
- to avoid misunderstanding, such as the risk that use of 'expenditure' leads to recording of expenses in the incorrect period or is interpreted as requiring a cash outflow.

The Committee Member suggested that the rationale for use of 'expenses' rather than 'expenditure' should be included in the exposure draft. A Committee Member expressed the view that the change could cause confusion, therefore clear communication is important.

Following this discussion, the Chair confirmed that the Committee was content with the suggestions in questions 11, 12 and 13.

The Chair asked for any comments on amendments listed in Annex 1 that had not been addressed by one of the questions. Committee Members had no further comments.

4.4 ***Paper 2 Annex 1 – Questions 14 and 15 (Module 7, Recognition of Expenses and Liabilities)***

The Committee discussed the suggestion in question 14 that reference is made in the SORP to specific paragraphs in FRS 102.

The FRC observer commented that:

- if reference to specific paragraphs from FRS 102 is made in Module 7 of the SORP, consideration should be given to following this approach throughout the SORP
- reference to specific paragraphs from FRS 102 creates the need to update the SORP when FRS 102 changes, and
- text could be removed from the SORP if specific references to FRS 102 are provided.

A Committee Member expressed the view that reference to FRS 102 should be avoided as far as possible. However, the Chair and other Committee Members commented that references to FRS 102 are helpful as they provide additional material. The Chair expressed the view that specific references are more helpful than references to a whole section of FRS 102. A Committee Member commented that communication will be necessary to ensure SORP users understand this change it intended to be helpful.

The Secretariat noted that updating references throughout the SORP would be resource-intensive, therefore recommended only updating references to FRS 102 where it is expected that doing so will help SORP users. A Committee Member expressed the view that the default position should be to consider making any references within the SORP to whole sections of FRS 102 more specific.

The Chair noted the general conclusion of this discussion is that references to specific paragraphs of FRS 102 are helpful, and that this approach should be taken in other SORP modules where it is considered that specific references to FRS 102 will be helpful.

The Chair asked for any comments on amendments listed in Annex 1 that had not been addressed by one of the questions. Committee Members had no further comments.

A Committee Member asked that page numbers be included on future Committee papers.

The Secretariat thanked the Committee for their consideration of such detailed documents and suggested that it will be beneficial to defer the restructuring of the SORP until after the next two meetings.

5. Paper 3 – SORP Drafting Narrative reporting (Module 1, Trustees’ Annual Report)

5.1 The Chair noted that work is ongoing on the appropriate thresholds for the tiers therefore the working assumption will be as presented in the previous meeting of the Committee. The Chair requested that Committee Members send any feedback on minor drafting points to CIPFA by 14 October 2022.

The Chair invited an observer from CCEW to introduce paper 3. In introducing the paper, the observer from CCEW noted that although sustainability is included in the draft of module 1, sustainability will be covered as a separate topic later in the drafting phase.

5.2 Paper 3 Questions 1 – 11 detailed drafting amendments

The Chair invited comments on the questions in Paper 3. A summary of the questions from paper 3, the comments made by Committee Members and, where indicated, the Chair, Secretariat or FRC observer is included in Annex 2 below.

Tentative conclusions were reached as follows:

- **Questions 1 and 2:**

Use of the terms ‘must’, ‘should’ and ‘may’

Question 1: Does the Charities SORP Committee agree that paragraphs 33 to 35 do not need to be amended?

Question 2: If amendment is required, what are the recommended changes?

- The Committee tentatively agreed that paragraphs 33 to 35 of the SORP should be unchanged.

- **Questions 3 and 4:**

Where a smaller charity prepares its Trustees' Annual Report under the current SORP, it will not be meeting all the requirements under current regulations.

Q3: Does the Charities SORP Committee have any advice on this issue?

Q4: What is the Charities SORP Committee's view on whether these requirements should be included under tier 1 requirements?

- The Committee generally agreed that the SORP should be written such it does not conflict with relevant regulations.

- **Question 5:**

Q5: Does the Charities SORP Committee agree to retaining in the revised Module 1 the 'must' requirement to disclose "the methods used to recruit and appoint new charity trustees, including details of any constitutional provisions for appointment, for example election to post."

- The Committee supported leaving the requirement in paragraph 1.28 as a 'must' requirement.

- **Questions 6 – 8:**

In the revised Module 1, an additional 'must' has been added regarding details of recruitment of Trustees.

Q6: Does the Charities SORP Committee agree to including this item as a 'must' requirement in the revised Module 1?

Regarding paragraph 1.27 on going concern uncertainties:

Q7: Does the Charities SORP Committee agree that this requirement remains and is a 'should' rather than a 'must'?

Q8: Does the Charities SORP Committee consider the wording of this paragraph to be prescriptive enough to reflect paragraphs 3.8 and 3.9, FRS 102 or are there any suggested amendments?

- The Committee agreed with all proposals in questions 6 – 8.

- **Questions 9 – 11:**

Q9: Does the Charities SORP Committee agree with the 'building blocks' approach or do members have any suggestions for a preferred approach?

Q10: Of the 3 different formats provided for discussion ('musts' highted in BOLD; must requirements captured in text boxes; all tier requirements collated under headings), does the SORP Committee have a preferred approach or can members agree an alternative approach?

Q11: Can the Charities SORP Committee provide any ideas or advice about a digital version of the SORP, particularly relating to Module 1?

- The Meeting closed before the Committee had the opportunity to discuss these questions. The Chair requested that Committee Members send any

Committee
Members

comments or feedback on these questions by email to CIPFA by 14 October 2022.

5.3 **Paper 3 Annex 1 – detailed drafting amendments**

The Chair invited comments on the questions in Annex 1 of Paper 3. A summary of the questions from paper 3 and the comments made by Committee Members and, where indicated, the Chair, Secretariat or FRC observer is included in Annex 2 below.

Tentative conclusions were reached as follows:

- **Question 1:** The Committee agreed to include content in the SORP to encourage charities in tier 1 to include some or all of the additional information required of tier 2 and tier 3 charities in the Trustees' Annual Report (TAR) if relevant to the charity, if worded such that the requirement is not mistaken for a 'must' requirement.
- **Questions 2 and 3:** The Committee agreed with all proposals in questions 2 and 3.
- **Question 4:** The Committee agreed with the principle of the amendment, but suggested that the wording could be amended to add clarity.
- **Question 5:** The Committee agreed with the proposals in question 5.
- **Question 6:** The Committee agreed with the principle of the amendment. The Committee recommended suggestions to clarify the requirement.
- **Question 7:** A tentative conclusion was not reached. The SORP-making body will consider the Committee's feedback.
- **Questions 8 and 9:** The Chair confirmed that the Committee supported the inclusion of the additional proposed sentence in the SORP, and that the requirement should be a 'must' requirement.
- **Questions 10 and 11:** The Chair confirmed that the Committee supported the proposed requirement, and that the Committee agreed the requirement should apply to charities in tier 1.
- **Question 12:** The Chair confirmed that the Committee supported including this additional requirement for all charities.
- **Question 13:** The Committee agreed with the proposals in question 13.
- **Question 14:** The amendment will be reconsidered as more work is done on sustainability and the SORP.
- **Questions 15 – 18:** The Committee agreed with all proposals in questions 15 – 18.
- **Question 19:** The amendment will be reconsidered as more work is done on sustainability and the SORP.
- **Question 20:** The Committee agreed with the proposals in question 20.
- **Questions 21 and 22:** No tentative conclusions were reached on the proposed amendments. A committee member suggested tracking changes in

the status of requirements (from recommended to mandatory and vice versa), new mandatory requirements and removal of mandatory requirements to allow for assessment of the proportionality of the overall reporting burden at the end of the drafting phase.

- **Questions 23 and 24:** The amendment will be reconsidered as more work is done on sustainability and the SORP.
- **Questions 25 – 27:** The Committee agreed with all proposals in questions 25 – 27.
- **Question 28:** The amendment will be reconsidered as more work is done on sustainability and the SORP.
- **Question 29:** The Committee agreed with the proposals in question 29.
- **Questions 30 and 31:** No tentative conclusions were reached on the proposed amendments. Suggested changes to the wording of the proposed amendment were made to extend the focus beyond explanation of accounting for legacies.
- **Question 32:** No tentative conclusions were reached on the proposed amendments. The Committee discussed the importance of monitoring the reporting burden for charities in each of the three tiers.
- **Questions 33 and 34:** The Committee agreed with all proposals in questions 33 and 34.

The Chair asked for any comments on amendments listed in Annex 1 that had not been addressed by one of the questions.

A Joint Chair asked when the Committee will be returning to its discussion of sustainability reporting, noting that activity outside the Committee, such as developments in company law, will be relevant. The Secretariat responded that Sustainability will be covered towards the end of the drafting phase and suggested it would be useful to discuss the matter with representatives from the Department for Business, Energy & Industrial Strategy (BEIS).

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

- 6.1 The FRC Observer advised that the FRC is continuing work on the periodic review and still plans to issue a FRED before the end of 2022. The FRC is taking a final draft to its UK GAAP Advisory panel in October.

7. Any other business including future Committee meetings

7.1 Future meetings

- 14th December 2022 (1:30pm – 4:30pm)
- 22nd February 2023 (10am – 1pm)
- 3rd May 2023 (10am – 1pm)
- 12th July 2023 (10am – 1pm)

- 20th September 2023 (10am – 1pm)

7.2 **AOB**

The Chair reported that Will Lifford is stepping down as Joint Chair and that Amie Woods will be the new Joint Chair for CCEW. The Chair thanked Will for his contribution to the Committee.

Disclaimer

These Charities SORP Committee minutes have been developed during the drafting stage of the Charities SORP. They set out areas of agreement or otherwise and present the Charities SORP Committee advice to the joint SORP-making body. Charities should not treat this advice as being definitive for the production of the Charities SORP FRS 102 (Third Edition) which will be subject to due process including a detailed consultation.

Summary of questions from Paper 2 on Expenses

Section of Paper 2	Questions
<p>Section 2 Drafting Suggestions relating to the Structure or format of the SORP</p>	<ol style="list-style-type: none"> 1. Is the Charities SORP Committee content to retain content on expenses associated with retirement benefits and grant-making in module 7? 2. Does the Charities SORP Committee support the inclusion of a stand-alone module on provisions, contingent liabilities and contingent assets in the SORP? 3. What are the views of the Charities SORP Committee on the proposed Provisions, Contingent Liabilities and Contingent Assets module as included in the Appendices to this report? 4. What are the views of the Committee on re-ordering the SORP such that key concepts and principles are introduced before specific accounting treatments are covered? Does the Committee support re-drafting the SORP in line with this proposal?
<p>Section 3 Other Drafting Proposals</p>	<ol style="list-style-type: none"> 5. Are there any further changes the Charities SORP Committee believes are necessary to the modules/sub-sections of modules under consideration?
<p>Annex 1 Chapter 1 Scope and Application</p>	<ol style="list-style-type: none"> 6. Is the Committee content with the proposed Paragraph 10 as redrafted?
<p>Annex 1 Module 4 Statement of Financial Activities</p>	<ol style="list-style-type: none"> 7. Is the Charities SORP Committee content with the wording of the suggested explanation of Natural Classifications? 8. Would the Charities SORP Committee recommend the inclusion in the Charities SORP of minimum headings for a SoFA prepared using natural classifications? If so, what should the minimum headings be? If not, is the Charities SORP Committee content with the proposed amendments to clarify that line items per table 2a are suggested rather than mandated? 9. Does the Charities SORP Committee agreed that it will be beneficial to review paragraphs 4.22 – 4.24 at a later stage in the drafting process? 10. Does the Charities SORP Committee agree that it will be beneficial to review content related to income in paragraph 4.30 at a later stage in the drafting process? 11. Does the SORP Committee agree to maintain the illustrative nature of this disclosure and does it agree with the wording of the clarification?

Section of Paper 2	Questions
	<p>12. Is the Charities SORP Committee content with the wording of the proposed clarification of the status of Table 3 as illustrative rather than mandatory in paragraph 4.61?</p> <p>13. Is the Charities SORP Committee content with the clarification to Module 8 paragraph 8.13 in paragraph 4.62?</p>
<p>Annex 1 Module 7 Recognition of Expenses and Liabilities</p>	<p>14. Is the Charities SORP Committee content with the inclusion of references to specific paragraphs of FRS 102 in the SORP?</p> <p>15. If so, does the Charities SORP Committee agree with the specific paragraphs from FRS 102 that have been referred to in this draft paragraph of the SORP?</p>

Summary of discussions on Paper 3 SORP Drafting – Trustees' Annual Report (Module 1)

Discussion Point	Comments noted from Committee Members
<p>Paper 3, Section 3</p> <p>Use of the terms 'must', 'should' and 'may'</p> <p>Q1: Does the Charities SORP Committee agree that paragraphs 33 to 35 do not need to be amended?</p> <p>Q2: If amendment is required, what are the recommended changes?</p>	<ul style="list-style-type: none"> A Committee Member commented that the Committee had discussed these paragraphs previously. The Committee Member expressed the view that the paragraphs did not need to be amended.
<p>Paper 3, Section 4</p> <p>Where a smaller charity prepares its Trustees' Annual Report under the current SORP, it will not be meeting all the requirements under current regulations.</p> <p>Q3: Does the Charities SORP Committee have any advice on this issue?</p> <p>Q4: What is the Charities SORP Committee's view on whether these requirements should be included under tier 1 requirements?</p> <p>Q5: Does the Charities SORP Committee agree to retaining in the revised Module 1 the 'must' requirement to disclose "the methods used to recruit and appoint new charity trustees, including details of any constitutional provisions for appointment, for example election to post."</p> <p>In the revised Module 1, an additional 'must' has been added regarding details of recruitment of Trustees.</p>	<ul style="list-style-type: none"> The implications of not changing the SORP in this respect were discussed. The observer from CCEW advised that some requirements specific to England and Wales are relevant to all charities. At present, these requirements are in a section of the SORP for larger charities, therefore unless the draft SORP is amended the accounts of charities in Tier 1 will not comply with all relevant regulations. The Secretariat commented that it is usual to write a SORP such that compliance with the SORP will lead to compliance with legislation. A Committee Member asked if it could be possible to use information sheets to help charities meet the requirements of regulations. The Secretariat observed that information sheets are designed to be guidance that sits alongside the SORP and not amend it in any way. A Joint Chair expressed the view that the SORP should be compliant with regulations. A Committee Member agreed but noted that the regulations are in need of revision. The Joint Chair expressed the view that the regulations are still in place and were not expected to change in the near future. A Committee Member noted that the true and fair (T&F) override exists for situations in which a charity's accounts are not in compliance with the regulations, but are compliant with FRS 102. The FRC observer commented that the FRC would expect the SORP to be compliant with relevant

Discussion Point	Comments noted from Committee Members
<p>Q6: Does the Charities SORP Committee agree to including this item as a 'must' requirement in the revised Module 1?</p> <p>Regarding paragraph 1.27 on going concern uncertainties:</p> <p>Q7: Does the Charities SORP Committee agree that this requirement remains and is a 'should' rather than a 'must'?</p> <p>Q8: Does the Charities SORP Committee consider the wording of this paragraph to be prescriptive enough to reflect paragraphs 3.8 and 3.9, FRS 102 or are there any suggested amendments?</p>	<p>regulations. The FRC observer suggested the Committee could consider:</p> <ul style="list-style-type: none"> ○ including a paragraph in the SORP setting out whether accounts prepared using the SORP would be compliant with the regulations, and ○ including a separate module including requirements relating to the different jurisdictions. <ul style="list-style-type: none"> • The Secretariat commented that the SORP cannot update the law and noted that use of the T&F override is a decision for an individual entity rather than something the SORP can provide advice on. The Committee Member agreed. • With respect to question 5, a Committee Member supported retention of 'must' as the requirement encourages charities to think carefully about recruitment. • Other Committee Members agreed. • Questions 6 – 8 were agreed. No Committee Members made additional comments on these questions.
<p>Paper 3, Section 5</p> <p>Drafting suggestions relating to the structure or format of the SORP</p> <p>Q9: Does the Charities SORP Committee agree with the 'building blocks' approach or do members have any suggestions for a preferred approach?</p> <p>Q10: Of the 3 different formats provided for discussion ('musts' highted in BOLD; must requirements captured in text boxes; all tier requirements collated under headings), does the SORP Committee have a preferred approach or can members agree an alternative approach?</p> <p>Q11: Can the Charities SORP Committee provide any ideas or advice about a digital version of the SORP, particularly relating to Module 1?</p>	<ul style="list-style-type: none"> • The Committee Meeting closed before the Committee had the opportunity to discuss these questions. The Chair requested that Committee Members send any comments or feedback on these questions by email to CIPFA by 14 October 2022.

Discussion Point	Comments noted from Committee Members
<p>Paper 3 Annex 1</p> <p>Q1: Does the Committee want the SORP to encourage tier 1 charities to include additional information required of both tier 2 and tier 3 charities where relevant to their charity stakeholders?</p>	<ul style="list-style-type: none"> • A Committee Member expressed concern that the proposed amendment might be interpreted as a ‘must’ requirement rather than a ‘should’ requirement. • A Committee Member expressed the view that the content in the Trustees’ Annual Report (TAR) is critical to the reporting of the management of the charity, therefore charities in tier 1 should be encouraged to think about the strategic vision. The Committee Member expressed a preference for differentiating tiered reporting requirements such that the accounting burden is reduced for smaller charities. • A Committee Member and the Chair agreed, noting that the SORP should be worded appropriately such that charities in tier 1 do not feel forced to undertake additional reporting. • The Secretariat suggested use of the word ‘proportionate’ and noted that use of ‘encouraged’ is often seen in standard setting.
<p>Q2: Do Committee members agree the amendment [to amend paragraph 1.22]?</p> <p>Q3: Do Committee Members agree that ‘should’ be changed to ‘must’ [in paragraph 1.23] so that all charities must report on the impact they are making?</p> <p>Q4: Are Committee Members happy with the revised wording [in paragraph 1.23 to help charities summarise their main achievements] or would they like to see more questions included?</p>	<ul style="list-style-type: none"> • Questions 2 and 3 were agreed. Committee Members did not make additional comments on these questions. • The Secretariat questioned whether the use of questions in the SORP would mean that the users of the SORP would understand that this is a requirement. • The Chair expressed the view that the requirement is clear, but suggested further clarity could be provided by removing the word ‘consider’. A Committee Member expressed the view that the SORP could be worded more strongly. • The Secretariat suggested amending the wording such that the requirements are included at the start of the paragraph, with a list of questions provided as examples of what the trustees could consider to meet the requirements.
<p>Q5: Do Committee Members agree that this additional guidance [on use of infographics, statistics, beneficiary and volunteer testimonials] be included?</p> <p>Q6: Do SORP Committee members agree this change [to require numerical data to be consistent with</p>	<ul style="list-style-type: none"> • Question 5 was agreed. Committee Members did not make additional comments in response to this question. • On question 6, a Committee Member queried the use of ‘where appropriate’. The Committee Member suggested that any alternative performance measures that are not included in the financial statements should be reconcilable to the financial statements, and recommended that the wording of the SORP should reflect this.

Discussion Point	Comments noted from Committee Members
the charity's financial statements where appropriate)?	<ul style="list-style-type: none"> • A Committee Member noted that numerical data is not necessarily financial in nature, therefore it may not be possible to reconcile the data to the financial statements. The Committee Member suggested re-wording the requirement to refer to 'financial information'. • A Committee Member noted that the requirement in paragraph 1.24 should be a 'must' requirement.
Q7: Does the SORP Committee agree this change [to define reserves] and with the draft definition to be included in the glossary?	<ul style="list-style-type: none"> • The FRC observer expressed the view that the definition of reserves can be complicated for some charities, and suggested that the SORP should link to guidance from regulators. • The FRC observer questioned whether a charity can spend a pension surplus. <p>The following comments were made by committee members:</p> <ul style="list-style-type: none"> • there should be clarity in the last paragraph on how the revaluation reserve arises. • there is a need for a communications piece on reserves. • the issue of negative reserves was noted. • use of the term 'free reserves' was suggested, which is likely to be understandable. • The Chair noted that the definition may become unwieldy if additional detail is added. • The Secretariat questioned whether the definition is of reserves, or of free reserves and suggested that it would be easier to define 'reserves'. The observer from CCEW noted that research has shown charities may misunderstand free reserves, and that the proposed definition acknowledges there are different understandings of 'reserves'. A Committee Member expressed the view that both reserves and free reserves could be defined. <p>Committee members commented</p> <ul style="list-style-type: none"> • there was a suggestion to linking the definition of reserves to fund accounting. • where charities expresses reserves in terms of the number of months the charity can continue, this is important information for the users of the accounts. However, another Committee Member commented that this metric is possibly outdated.

Discussion Point	Comments noted from Committee Members
	<ul style="list-style-type: none"> • smaller charities are likely to face an additional issue in that the same reserves policy is adopted every year where it would be more appropriate to reconsider the reserves policy. The Committee Member commented that the requirement to disclose the cash that can be used on the charity's operations should be retained. The Committee Member suggested including a requirement for trustees to regularly review their reserves policy in the SORP. Another Committee Member noted this requirement already exists outside the SORP. • whether it may be more appropriate to allow charities to explain how they can meet expenditure commitments in the future? • The SORP-making Body will consider the feedback from the Committee.
<p>Q8: Does the SORP Committee agree that this 'should' be included [in paragraph 1.25] and with the wording?</p> <p>Q9: Should this be a 'must' rather than a 'should'?</p>	<ul style="list-style-type: none"> • A Committee Member asked whether the SORP can require charities to have a reserves policy. The Committee Member expressed the view that charities should either have a reserves policy or explain why they do not have a reserves policy. • The Chair commented that the SORP-making Body would consider this point outside the meeting. • The Secretariat noted that the former Chair from CCEW has responded to this point, and recommended that the SORP-making Body review previous meeting minutes when considering this point. • With respect to question 8 and 9, a Committee Member expressed the view that the requirement should be a 'must' requirement. • The Chair confirmed that the Committee supported the inclusion of the additional proposed sentence in the SORP, and that the requirement should be a 'must' requirement.
<p>Q10: Does the SORP Committee agree that this sentence [on the link between going concern and reserves] be included?</p> <p>Q11: Should this requirement be applicable to charities in tier 1?</p>	<ul style="list-style-type: none"> • A Committee Member noted that the proposed requirement will help a charity tell its story. • A Committee Member supported the additional requirement. • The Chair confirmed that the Committee supported the proposed requirement, and that the Committee agreed the requirement should apply to charities in tier 1.

Discussion Point	Comments noted from Committee Members
Q12: Does the SORP Committee agree that this point [on the names of persons entitled to appoint trustees] be included for all charities or should it only apply to charities preparing accounts under the Northern Ireland regulations?	<ul style="list-style-type: none"> • A Committee Member commented that this is also a requirement for charities preparing receipts and payments accounts under Scottish regulations. • The Chair confirmed that the Committee supported including this additional requirement for all charities.
Q13: Does the SORP Committee agree that these requirements [to provide information on reference and administrative details] apply only to tier 3 charities?	<ul style="list-style-type: none"> • Question 13 was agreed. Committee Members did not make made additional comments on this question.
Q14: Does the SORP Committee agree this amendment [to require charities to discuss environmental or social objectives where relevant]?	<ul style="list-style-type: none"> • A Committee Member commented that the suggested wording is unclear on whether the proposed requirement will only be relevant to charities with a relevant <i>charitable</i> objective. This was agreed by another committee member. • The Chair commented that additional requirements will be included when the Committee considers the topic of sustainability. • A Committee Member expressed the view that there is a need to avoid overburdening charities with respect to sustainability reporting, in particular in situations where the charity is not involved in environmental or sustainability work so users of the accounts may not find such information to be useful. • The Chair concluded that the amendment will be reconsidered when more work is done on sustainability reporting and the SORP.
Q15: Does the SORP Committee agree this addition [regarding disclosure of information about volunteers]? Q16: Items in paragraph 1.41 are currently 'may' items. Does the SORP Committee agree that this item also be included as a 'may'?	<ul style="list-style-type: none"> • Questions 15 and 16 were. Committee Members made no additional comments with regard to these questions.
Q17: Does the SORP Committee agree the amendment [to remove requirements that are duplicated across the SORP]?	<ul style="list-style-type: none"> • Question 17 was agreed. Committee Members made no additional comments with regard to this question.

Discussion Point	Comments noted from Committee Members
Q18: Does the SORP Committee agree the amendment [to require certain aspects of performance reporting of charities in tier 3, but not tier 2]?	<ul style="list-style-type: none"> Question 18 was agreed. Committee Members made no additional comments with regard to this question.
Q19: Does the SORP Committee agree the amendment [on environmental and social objectives]?	<ul style="list-style-type: none"> The Chair stated that, as with question 14, the amendment will be reconsidered as more work is done on sustainability reporting and the SORP.
Q20: Does the SORP Committee agree this additional sentence [on use of infographics]?	<ul style="list-style-type: none"> Question 20 was agreed. Committee Members made no additional comments with regard to this question.
<p>Q21: Does the SORP Committee agree the amendments [aimed at simplifying information for the user of the accounts]?</p> <p>Q22: Do SORP Committee members agree the change from a 'may' to a 'must'?</p>	<ul style="list-style-type: none"> A Committee Member noted that a lot of the proposals discussed at the meeting were to mandate new requirements, or requirements that were previously 'should' requirements. The Committee Member expressed the view that it will be beneficial to track such changes to allow consideration of the proportionality of the overall reporting burden. The Chair agreed that this would be a good idea but noted that the Committee was agreeing all the proposed changes. A Committee Member expressed the view that tracking of changes should work both ways, i.e. requirements that are removed should also be tracked.
<p>Q23: Does the SORP Committee agree the amendment [on environmental and social reporting]?</p> <p>Q24: Does the SORP Committee agree that this be applied to tier 2 and tier 3 charities only or should this be expected of tier 1 charities?</p>	<ul style="list-style-type: none"> The Chair stated that, as with question 14, the amendment will be reconsidered as more work is done on sustainability reporting and the SORP.
Q25: Does the SORP Committee agree the amendment [to reduce duplication across the SORP]?	<ul style="list-style-type: none"> Question 25 was agreed. Committee Members made no additional comments with regard to this question.
Q26: Does the SORP Committee agree the amendment [to reduce duplication across the SORP]?	<ul style="list-style-type: none"> Question 26 was agreed. Committee Members made no additional comments with regard to this question.
Q27: Does the SORP Committee agree the amendment [to require certain aspects of performance	<ul style="list-style-type: none"> Question 27 was agreed. Committee Members made no additional comments with regard to this question.

Discussion Point	Comments noted from Committee Members
reporting of charities in tier 3, but not tier 2]?	
Q28: Does the SORP Committee agree the amendment [on making reference to environmental risks]?	<ul style="list-style-type: none"> The Chair stated that, as with question 14, the amendment will be reconsidered as more work is done on sustainability reporting and the SORP.
Q29: Does the SORP Committee agree the amendment [to better align narrative reporting with reported expenditure]?	<ul style="list-style-type: none"> Question 29 was agreed. No Committee Members made additional comments on this question.
<p>Q30: Does the SORP Committee agree the amendment [to help users understand accounting for legacies]?</p> <p>Q31: Does the SORP Committee agree that this be applied to tier 2 and tier 3 charities only?</p>	<ul style="list-style-type: none"> A Committee Member asked why specific focus is given to legacies in the proposed amendment. the observer from CCEW responded that this reflects the conclusions and decisions from the reflection and problem solving phase. A Committee Member questioned whether legacies are more important to the users of the accounts than, for example, grants. The Secretariat suggested rephrasing the proposed sentence to make reference to, for example, material items of income such as legacies and grants. A Joint Chair agreed, adding that legacies are important as the accounting is not necessarily intuitive.
Q32: Does the SORP Committee agree the amendment [to require certain narrative reporting of charities in tier 3, but not tier 2]?	<ul style="list-style-type: none"> A Committee Member noted that this proposed amendment relates back to the discussion of reserves policy. In particular, the proposed amendment will only make sense if the charity has a reserves policy. A Committee Member asked whether the Committee had an overview of the reporting burden for each tier. The Secretariat noted that it is likely the proposed changes to the TAR will be summarise in the SORP Exposure Draft. Providing an overview of the reporting requirements for each tier will be a necessary part of this. A Committee Member expressed the view that it may be easier to get an overview of reporting requirements is a 'clean' rather than 'track changes' version of the revised SORP was presented to Committee Members for discussion. The Chair responded that a track changes version of the SORP is an important part of the evidence base for the proposed amendments.

Discussion Point	Comments noted from Committee Members
Q33: Does the SORP Committee agree the amendment [to require certain narrative reporting of charities in tier 3, but not tier 2]?	<ul style="list-style-type: none"> <li data-bbox="687 434 1410 488">• Question 33 was agreed. Committee Members made no additional comments with regard to this question.
Q34: Does the SORP Committee agree that these requirements [on delegation of day-to-day management of the charity] only apply to tier 3 charities?	<ul style="list-style-type: none"> <li data-bbox="687 575 1410 629">• Question 34 was agreed. Committee Members made no additional comments with regard to this question.