

Feedback from Engagement Strands on a Summary Financial Information/Key Facts Page

<ul style="list-style-type: none"> • Engagement Strand: Trustees
<p>A. Options Considered by Strand</p>
<ul style="list-style-type: none"> • Option 1: the introduction of a key facts/summary information page. • Option 2: should the information on the key facts/summary information page be mandated? If so, what should be included? • Option 3: encourage greater use of graphics to deliver key information across the annual report. • Option 4: any other options identified by the strand.
<p>B. Advantages/Disadvantages of Options Considered</p>
<ul style="list-style-type: none"> • Option 1: <ul style="list-style-type: none"> - could provide a simple snapshot of a charity's performance - might discourage trustees from providing more rounded commentaries in the narrative information provided - who would be the primary intended audience for such information? - previous attempts to introduce similar information (e.g., the CCEW Summary Information Return (SIR)) have not always been well-received and led to claims of undue duplication/repetition - why would its introduction be useful and/or appropriate? • Option 2: <ul style="list-style-type: none"> - strengths and weaknesses were listed as e.g., ability to compare data across charities, a quick overview for those that need to understand key information quickly versus, duplication of effort and information, additional responsibility placed upon volunteer trustees. - would it enhance public trust and confidence? - what period would it be for (would it be historical)? - would the information mandated be significantly different to that already presented on the respective regulator's register of charities? Could this be produced based on regulators' information collection? Could this information be extracted from the annual report and accounts rather than having to be manually input, ensuring consistency - should the data sets presented provide for a snapshot of the year or provide benchmarking information - what information would be of interest eg income/expenditure etc. • Option 3: <ul style="list-style-type: none"> - the engagement strand commented that it did not support the inclusion of a summary information/key facts sheet within the next version of the SORP. - Companies House can currently prevent the inclusion of such items within annual reports and accounts; however, actions are in hand to resolve those challenges. - The engagement strand queried whether it might wish to resubmit its views on this issue.

- Option 4:
 - No direct comments appeared to be provided for this option.

C. Conclusions

- In general, the engagement strand was not in favour of the introduction of such a summary information sheet/key facts page, reasons included:
 - a lack of clarity as to what information would be included (eg extract from the SOFA)
 - concern as to how such information would be and whether that portrayal would be meaningful without the supporting narrative
 - summary information page may replicate any inaccuracies
 - readers will overly rely on the summary information sheet rather than reading the whole document
 - adds repetition to the annual report and accounts and duplication of effort
 - would any information be able to be provided in a consistent manner?
 - the proposal merely covered up poor understanding and/or application of other aspects of the SORP
 - would the information be 'checked' by the auditor or independent examiner?
 - some charities are 'voting with their feet' by producing information beyond the scope of the SORP – should this be subject to review? What formats should that take?

- The Strand made four recommendations:
 - It urged the SORP Committee and the SORP Making Body not to introduce a summary information or key facts sheet, either as a voluntary or mandated aspect of the Charities SORP.
 - It urged the SORP Committee and SORP Making Body to revisit the opportunity to encourage charities to make greater use of infographics to better communicate key information within the annual report and accounts (per option 3)
 - It was of the view that accounts preparers would be better supported by efforts generally to improve the understanding of the requirements of the Charities SORP and its application.
 - Where larger (and other) charities are inclined to produce such additional information outside of the annual report and accounts, financial information should be SORP compliant (and appropriate guidance provided including templates).

D. Other comments

- Some members of the engagement strand did see benefits of summary financial information including:
 - the ability for readers to compare standard information about different charities in key areas of operational activity.
 - it allows for possibilities for benchmarking
 - it improves the consistency of reporting key performance data
 - it introduces a useful system for trustees to cross-check the information contained across the full annual report and accounts

- It was noted that there may be some benefit for larger charities to voluntarily produce summary information sheets guided by good practice guidance and templates. However, this did not outweigh the identified drawbacks of such a proposal.

E. Suggestions for Information to be Included

- The Trustees Engagement Strand queried what key information would be of most interest to users:
 - income
 - expenditure (in total and by activity/category breakdown such as staffing, fundraising, services, governance etc.)
 - impact delivered (to include qualitative and quantitative data)
 - reserves
 - risks
 - future plans
 - other information, if so, what?

• Engagement Strand: Smaller Charities and Independent Examiners

A. Options Considered by Strand

- NA

B. Advantages/Disadvantages of Options Considered

- NA but see C.

C. Conclusions

- The engagement strand did not consider it appropriate to mandate a summary information sheet for the following reasons:
 - there is a general appetite to reduce the size of the accounts document
 - it would be too difficult to find information which was acceptable and relevant to all charities
 - in smaller charities there may be a temptation to substitute the trustees' annual report for the summary, thus reducing transparency
 - issues relating to audit scrutiny.
- The engagement strand did think it may be appropriate to mandate some key information within the Financial Review section of the trustees' annual report and accounts.

D. Other Comments

- NA

<ul style="list-style-type: none"> Engagement Strand: Larger Charities
A. Options Considered by Strand
<ul style="list-style-type: none"> NA
B. Advantages/Disadvantages of Options Considered
<ul style="list-style-type: none"> NA but see C and D
C. Conclusions
<ul style="list-style-type: none"> The engagement strand overall was not in favour for the following reasons: <ul style="list-style-type: none"> It is yet another requirement which will probably lead to inconsistency of approach and application. As it is also likely not to be part of the audited accounts it is open to inconsistency or inaccuracy. It was of the view that whereas having data across the sector may be valuable there are other ways for organisations to provide this information rather than embedding it in a set of accounts.
D. Other Comments
<p>The engagement strand noted/commented:</p> <ul style="list-style-type: none"> The principle is good, but the accounts already have the information in them so why the need for an extra step? Is it counterproductive? The Charity Commission for England and Wales (CCEW) and Charity Commission for Northern Ireland already publish some sector data – is it not for the regulators to produce this as they capture it in the annual return? There are some organisations who analyse charity information and produce summary information already. Audit issues including that this would not form part of the audit which could cause problems. What key facts would be reported and what would this achieve? Charities are very different and diverse. It was felt that some charities report key facts already and leaving them the option to choose was better.

<ul style="list-style-type: none"> Engagement Strand: Major Funders & Donors and Government & Public Bodies
A. Options Considered by Strand
<ul style="list-style-type: none"> Option 1 – Voluntary Reporting – Summary information might assist fundraisers due to the length of the accounts. It might be able to be used for promotion. The engagement strand was of the view that this option would not promote comparability.

<ul style="list-style-type: none"> • Option 2 – Mandatory Reporting – This option would be the only one to allow for comparison between charities, though the method of operation might still render this option meaningless for comparability. • Option 3 – Maintain the status quo – a view might be taken that the SOFA is a financial summary. • Option 4 – Information to be produced by the regulators. For example, the recent upgrade to the CCEW recording system has provided users of that system with new and enhanced infographics for each charity. This has already improved public availability of comparison data.
B. Advantages/Disadvantages of Options Considered
<ul style="list-style-type: none"> • NA see above
C. Conclusions
<ul style="list-style-type: none"> • Overall, the engagement strand did not support the inclusion of a key facts page as it was of the view that it would not enhance a funder’s review of the trustees’ annual report and accounts.
D. Other Comments
<ul style="list-style-type: none"> • This could put further burdens on the Independent Examiner as they would have to verify the data before signing off the accounts

<ul style="list-style-type: none"> • Engagement Strand: Academics and regulators and proxies for the public interest
A. Options Considered by Strand
<ul style="list-style-type: none"> • NA individual feedback provided by engagement strand members.
B. Advantages/Disadvantages of Options Considered
<ul style="list-style-type: none"> • NA individual feedback provided by engagement strand members.
C. Conclusions
<ul style="list-style-type: none"> • The engagement strand has not come to a firm conclusion on the potential value of summary information; however, it urges the SORP Committee to note its views at this point.
D. Other comments:
<ul style="list-style-type: none"> • Engagement strand member (1) commented: <ul style="list-style-type: none"> - Summary Information should focus on performance and not financial information. - Concern was raised about using ratios unless these were explained well. - If a document is not mandatory, then it may be ignored. Providing a key facts document could be mandatory, as could specific headings/questions, but then allow charities flexibility in what they report under those headings/questions.

- The information could be considered a part of the trustees' annual report and therefore subject to audit commentary.
- One page was deemed to be preferable for engagement.
- Its purpose was deemed to be summarising main points in the financial statements.
- Engagement strand member (2) supported a key facts/summary statement (which should be optional and no longer than 2 pages) because it:
 - Provides an easy-to-access, single point of reference for users.
 - Provides a focus for non-financial trustees to increase board engagement.
 - Summarises existing information therefore there should be no additional burden for preparers.
 - Can be reviewed for consistency by auditors without requiring a separate audit opinion therefore there should be no additional burden or cost for preparers or auditors.
 - Improves consistency in reporting when using for due diligence and regulatory oversight.
- Engagement Strand member (3) agreed a summary page would be useful to readers of accounts but did not think it should be mandated. This member, a regulator, expressed a view that it would undermine the requirement for the charity to 'tell its story' Within the trustees' annual report if it is determined that a summary is all that readers are interested in. Concerns were also raised about potential costs of mandating the summary. This member suggested that there is an opportunity for 'us' to expand the information displayed for each charity's entry in the Register. This could serve the purpose that the summary financial information/'key facts' page was intended to without the burden to individual charities.
- Engagement strand member (4) also a regulator commented a one-page summary of the accounts may be a good idea, but that its purpose and content need to be more clearly explored, agreed, and defined and suggested the content of the summary. However, issues were raised include about how to ensure proportionality, how to measure impact, how to explain indirect costs fairly and transparently, and how to minimise duplication and regulatory burden across the accounting and reporting process. This member noted that it will be critical to avoid the risk that this summary simply duplicates Part B of the Annual Return (which is used to generate the financial summary in its Register of Charities) this could increase the reporting burden. This member was therefore interested to explore whether a summary sheet could be an alternative to Part B which resolves this issue.

E. Suggestions for Information to be Included

- Engagement strand member (1) suggested the following:
 - Summary of the charity's impact over the reporting period. Could be bullet points, infographics, etc. (Importantly note the use of the word impact rather than activity)
 - Summary of the charity's plans for the foreseeable future. Could be bullet points, infographics, etc.
 - Total income. Sub-analysis at charity's discretion, should link to the SOFA.
 - Total expenditure. Sub-analysis at charity's discretion, should link to the SOFA.
 - Reserves. Sub-analysis at charity's discretion, should link to balance sheet and reference reserves policy.
 - Any other information deemed critical by the charity.
- Engagement strand member (4) suggested:
 - an assessment of the charity's impact

- an analysis of income
- an analysis of direct charitable expenditure and indirect costs
- governance costs
- support costs.

• **Engagement Strand: Professional and Technical Engagement Strand (A)**

A. Options Considered by Strand

- Option 1: Include a summary financial information/'key facts' page
- Option 2: Do not include a summary financial information/'key facts' page

B. Advantages/Disadvantages of Options Considered

- Option 1:
 - Users of the accounts - information is spread throughout trustees' annual report and the financial statements. It would be helpful to a user or preparer of accounts to have a summary of the detail in one place. Summary Financial Information/Key Facts page would provide consistency.
 - Preparers of accounts: It should be easy to prepare as it is '...just a collation of key figures or statements found elsewhere in the financial statements...'
 - One member felt that this should be mandatory otherwise it would diminish usefulness.
 - Another member suggested that the Summary Financial Information/Key Facts page be optional rather than mandatory and the guidance be 'principle based' rather than a list of required disclosures.
- Option 2:
 - Two members of the strand felt that a Summary Financial Information/Key Facts page should not be included for the following reasons:
 - Users of accounts: Duplicating information already available in the accounts and trustees' annual report can lead to contradictions and inconsistencies. There are already two separate sections: the trustees' annual report and the accounting information. Including another document, a Summary Financial Information/Key Facts page, could cause a further disconnect.
 - Preparers of accounts: The diversity of the sector is not conducive to producing a prescribed Summary Financial Information/Key Facts page. The current SORP already includes an opportunity to pull out the key information from the accounts in the financial review section.

C. Conclusions

- The engagement strand did not have a consensus about whether there should be a requirement to include a summary financial information/key facts page within a set of financial statements.
 - The engagement strand members who supported the inclusion of a summary financial information/key facts page did not agree about whether this should be mandatory or optional. Nor did they agree on what information should be included.

<ul style="list-style-type: none"> - Engagement strand members who did not support the inclusion of summary information indicated there is already a requirement to include a financial review in the annual report so there is already an opportunity to pull out the key information from the accounts. <ul style="list-style-type: none"> ▪ It was suggested that perhaps paragraph 1.21 of the SORP could be amended to make it clear that the financial review should be in plain English along with examples of the key facts
D. Other comments:
NA
E. Suggestions for Information to be Included
<ul style="list-style-type: none"> • The engagement strand suggested that the following information would be useful: <ul style="list-style-type: none"> - summary of funds (equivalent to bottom half of the balance sheet for current year and comparative) - reserves policy - free reserves.

<ul style="list-style-type: none"> • Engagement Strand: Professional and Technical Engagement Strand (B)
A. Options Considered by Strand
<ul style="list-style-type: none"> • Option 1: Mandatory, with template - there would be a template which sets out the mandatory information required to be included. This option would also require a standardised layout of the summary page. • Option 2: Mandatory, without template - the summary page would be mandatory but there would not be a mandatory layout of the summary page. Some of the content would be mandatory. • Option 3: Optional – this was seen as the no-change option.
B. Advantages/Disadvantages of Options Considered
<ul style="list-style-type: none"> • Option 1 and 2 <ul style="list-style-type: none"> - Mandating the content could lead to boiler-plate and would be unlikely to encourage trustees to take an interest in preparing the trustees' annual report, with it being left to finance staff to complete. - Engagement strand members agreed that for the content of a summary page to be mandated, its purpose would need to be clearly understood. - A summary page could mean that only certain information would be focused on, drawing users only to that information. - There is a risk that a summary page, even with mandated content, could be used to 'sell' the charity rather than presenting an unbiased view.

- A summary page would make the trustees' annual report longer with another layer of information duplicating what is already included elsewhere.

C. Conclusions

- The engagement strand 'by majority' does not support this as an additional requirement especially for smaller charities. Most engagement strand members were not in favour of a mandatory summary page, although there was some agreement that some charities may find it helpful to highlight key matters.
- Most engagement strand members believe that the inclusion of a summary page within the trustees' annual report should be optional for all sizes of charity, although it may be of greater relevance to larger charities which tend to have longer trustees' annual reports.
- The engagement strand considered a one size fits all template would be too challenging to develop due to diversity.
- Engagement strand members believe any summary page should primarily be about the charity itself rather than a means of comparison. A mandated summary page, even without a template had limited support.
- Any proposals in the SORP will depend on the drafting convention used i.e., whether the SORP continues to highlight what a charity could do by using the word 'may'.
- The engagement strand is not clear on what the audience for summary information was or what its core purpose would be.

D. Other comments

- Some larger charities already publish summary information, within the trustees' annual report, on a voluntary basis [they] tailor the information specifically to their charity. It was felt that they do this well. Another option to a mandated summary page would be a sentence in the Charities SORP to encourage a summary page as 'good practice'. A summary page could fit better with the current use of the term 'may', which is used to highlight where preparers have genuine discretion.
- If a summary page is not treated as part of the trustees' annual report and published separately by the charity, the charity would need to ensure that any financial information (such as summarised primary statements) was consistent with its trustees' annual report and financial statements.
- One engagement strand member felt that it would be useful for module 1 to provide clarification and guidance on reporting on 'key matters' within the trustees' annual report itself rather than within a summary page.
- Engagement strand members wondered whether the current trustees' annual report requirements are falling short of expectations due to trustees' unmet training and education needs.
- There would be a need for confirmation that infographics would be acceptable to Companies House for filing purposes (one engagement strand member confirmed from experience that Companies House do accept trustees' annual report filed with infographics). Example summary pages could be included in separate guidance to illustrate good practice.
- Comparability should not be an objective.

