

SORP Committee and Engagement Strand Convenors meeting 16 February 2022

PAPER 2

Outline

This paper aims to facilitate discussion as we prepare to enter the next stage of the development process, which is to draft the next Charities SORP and covers:

- The inputs to the drafting stage
- The timetable for the development process from this point onwards
- How the drafting stage will work and the role of the SORP Committee and engagement strands

1 Inputs to the drafting process

1.1 Topics considered by the engagement strands and SORP Committee

In the course of the exploration, reflection and problem solving stages of the development process so far, the engagement strands provided considerable input to the SORP-making body and SORP committee discussions. This was important so that the wide range of user perspectives that the engagement strands were able to represent were clearly understood by the SORP making body and SORP Committee in the consideration of the 15 topic areas that were explored. The product of the reflection and problem solving stages is the conclusions reached on those topic areas, as summarised in the paper shared in January and subsequently updated for the last two topic areas (included as paper 3). These conclusions will help us draft the new SORP. We need to stick with these conclusions and not re-open debate on topics that have already been the subject of significant consideration and review.

1.2 Changes to FRS102

Alongside the conclusions from our debate about the 15 topic areas, there will be changes to FRS102 that need to be factored into the drafting of the new SORP. We also await the FRC's response to the two submissions made by the SORP-making body in 2021 and if accepted, the resulting changes to FRS102 as this will affect the changes that we can make to the SORP and the flexibility that we have. The changes requested related to:

- The SORP-making body enjoying latitude in the application of section 1A
- Greater flexibility in formatting the SoFA
- Latitude in requiring comparatives for SORP specific items
- Flexibility to frame disclosures in a manner that the reader is expected to understand
- Simplification to defined benefit pension disclosures
- Changes to the accounting treatment for certain gifted goods and services

Some elements in the development process are therefore not within our control but are instead in the control of the FRC.

2 The timetable

We based the timetable we have been working to on the FRC's intention to have FRS102 updated and effective from 1 January 2024. The SORP Committee have agreed that publication of the new SORP by October 2023 is therefore necessary. Allowing sufficient time for consultation and the FRC sign-off processes means the drafting stage needs to be complete by the end of January 2023.

Unless the FRC make a formal decision to amend their timetable, we will continue to plan based on those original intentions. Any amendments to the timetable would require the SORP making body to consider the impact and the most appropriate way forward and would be subject to further discussion with the SORP Committee.

3 The drafting process in action

The SORP making body has reflected on how the drafting process needs to operate in the new development process based on the current timetable and discussed this with the SORP Committee at its January 2022 meetings. The conclusions from those discussions are that:

- CIPFA will undertake the majority of the work to draft the text of the new SORP - this is part of their contract with the SORP-making body. The SORP-making body is likely to undertake the remainder of the drafting work
- The SORP Committee will consider the draft text that CIPFA prepare throughout 8 meetings to be held between March 2022 and January 2023. Proposed changes would be considered against the recommendations of the SORP Governance Review and the [SORP-making body's statement of drafting aims and principles](#)
- For the purposes of the drafting stage, the 15 topics already considered will be grouped into 4 areas as follows:
 - Narrative reporting –
 - Summary financial information
 - Impact reporting
 - Sustainability reporting
 - Reserves
 - Expenditure –
 - Support costs
 - Expenditure classification
 - Activity reporting
 - Income –
 - Accrual basis of accounting for grants
 - Donated goods and services
 - Income recognition
 - Legacies
 - Presentation of the financial statements (including notes)
 - Presentation of the SoFA
 - Notes on financial information

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- Funds note
- Materiality
- The plan for the 8 SORP Committee meetings would be:
 - a meeting for each grouping shown above
 - a meeting to discuss and agree the approach to tiered reporting
 - a meeting to consider the changes to FRS102 and sustainability reporting (to allow more time to understand the latest position with sustainability reporting so taken towards the end of the drafting stage)
 - two meetings at the end of the process to review the complete SORP, particularly to consider consistency

From the outset of the design of the new development process, it was expected that the drafting stage would see the engagement strands inputting differently compared to the earlier stages. The recruitment pack for engagement partners explained the drafting stage as follows:

Undertaken by the SORP-making body in partnership with the SORP Committee and supported by the Chartered Institute of Public Finance and Accountancy (providing the Secretariat to the SORP Committee). During the writing stage the SORP Committee and SORP-making body may wish to test possible solutions with the engagement partners before finalising the draft SORP.

We would therefore intend to seek input from the engagement strands via:

- planned tasks related to either the text of the SORP or identifying or developing post publication advisory materials, and
- fatal flaw review (meaning changes will only be made where the text is unclear, ambiguous or results in transactions being accounted for in a manner not intended. It does not include a re-examination of conclusions already reached)

We want to ensure that the engagement strands continue to be able to input effectively into the development process, taking on board the feedback from engagement partners about the time commitment through the previous stages being greater than expected and allowing the process to operate within the parameters we have (time, process etc).

By seeking assistance from the strands on planned tasks – for example, input from specialists (strand members or whole strands) on certain issues (e.g. legacies) and further work on the development of guidance materials this will allow the drafting process to take place efficiently whilst also meeting the clear appetite that has been identified for additional advisory material. Input in the form of a fatal flaw review would be very helpful from the strands to ensure that any practical issues arising from potential application of the draft text are addressed prior to consultation.

We will ensure that convenors are kept up to date with developments through the drafting phase and communicate via email where there are any specific tasks or input that require the assistance of the engagement strands.