

Report

To: Charities SORP Committee

From: CIPFA Secretariat

Date: 14 December 2022

Subject: Income in the charities SORP

Purpose

The purpose of this report is to outline the suggested amendments to SORP for modules 5 (Recognition of income, including legacies, grants and contract income) and 6 (Donated goods, facilities and services, including volunteers) and the rationale for the suggested amendments.

Report

1. Introduction

- 1.1 At its meetings on 9 and 28 September 2021 and 22 October 2021, the Charities SORP Committee discussed matters pertaining to content on income in the Charities SORP. Specifically, the topics of income recognition, accounting for legacies, the recognition of capital grants and accounting for donated goods and services were discussed, having been identified as important topics during the previous stages of SORP development.
- 1.2 The Secretariat has prepared draft modules for the new Charities SORP based on the tentative advice provided by the Charities SORP Committee at these meetings. The Secretariat has reviewed and redrafted:
 - module 5 (Recognition of income, including legacies, grants and contract income); and
 - module 6 (Donated goods, facilities and services).
- 1.3 Annex 1 to this report provides a detailed analysis of the proposed amendments to the Charities SORP including the rationale for the proposals. Appendices 1 and 2 include the draft modules in full. Appendix 1 includes the 'clean' (i.e. untracked) draft modules. Appendix 2 presents the same modules in track changes so that the SORP Committee can identify new or revised content.
- 1.4 To aid detailed discussion of the draft modules, questions for discussion have been included in Annex 1.

2. Tentative advice provided by the Charities SORP Committee

- 2.1 The tentative advice by the Charities SORP Committee at earlier stages in the process is summarised in Annex 2 below. The Secretariat produced the drafts of modules 5 and 6 in response to this tentative advice.
- 2.2 Please see Table 1 below for a summary of the tentative conclusions relevant to the text of the SORP on the income topics as made by the Charities SORP Committee reached at the problem solving and reflection stage of the process, and how the Secretariat has responded to the tentative conclusions.

Table 1

Topic	Tentative conclusions of the Charities SORP Committee	Response in drafting
Grant accounting	Amend the SORP to mandate the creation of a separate designated fund for income from capital grants, with separate presentation on the face of the financial statements.	<p>A new section has been proposed within Module 5, entitled Grants received for capital expenditure. This section includes proposed requirements to mandate the use of a designated fund for fixed assets purchased through grant funding (see paragraph 5.28 in either Appendix 1 or 2).</p> <p>Paragraph 5.28(a) in the draft modules requires charities to present the designated fixed asset fund separately on the face of the Balance Sheet with the movement on the designated fund presented separately on the face of the statement of financial activities (SoFA).</p> <p>Please see section 4 of this report for further detail and questions relating to this matter.</p>
Legacies	Add a flowchart in respect of handling post year end notifications, look to narrow the options for recognition and consider whether the SORP needs extra text to address contentious legacies.	<p>The Secretariat has prepared a draft flowchart. The Secretariat recommends that the flowchart would be more suitably used as guidance material rather than being included in the SORP due to the range of ways in which legacies are arranged and the level of judgement required when accounting for legacies which makes it difficult to provide precise instruction in a flowchart.</p> <p>The Secretariat has provided the draft flowchart to the SORP-making body. To enhance the flowchart such that it is suitable for discussion in a Committee meeting, the Secretariat recommends that further development work on the flowchart is undertaken, including consultation with an expert in legacy management. The advice of the Charities SORP Committee on the</p>

Topic	Tentative conclusions of the Charities SORP Committee	Response in drafting
		<p>content and use of the flowchart will be sought at a future meeting once further development work has been undertaken.</p> <p>In drafting, the Secretariat did not identify options for recognition of income from legacies that could be narrowed while still meeting the requirements of FRS 102.</p> <p>Additional text has been included in the draft SORP modules on contentious legacies. Paragraph 5.30 includes additional suggested text to require charities to consider the impact of challenges on the charity's control over the legacy (i.e. acknowledging that a legal challenge may mean that the recognition criteria for income are not met). Existing test on the impact of a legal challenge on the measurement of income from legacies has been retained in paragraph 5.39.</p> <p>Please see section 5 of this report for further detail and questions relating to this matter.</p>
Donated goods and services	Selective changes to some recognition and measurement requirements, subject to adherence to FRS102.	<p>An amendment has been suggested in paragraph 6.19 to ask charities to disclose the number, and full time equivalence, of volunteers if practicable. This proposed amendment was made in response to feedback from the SORP Committee in support of disclosing information about the number of volunteers.</p> <p>In response to advice from the Committee, it is proposed that some text is deleted from paragraph 6.14 and a cross-reference to this paragraph is included in paragraph 6.17 to make it clearer that donated facilities and services that the charity would otherwise have purchased should be valued at the value to the charity.</p>
Income recognition	n/a	n/a

Topic	Tentative conclusions of the Charities SORP Committee	Response in drafting
Minor topics	n/a	<p>Various amendments are proposed to:</p> <ul style="list-style-type: none"> • adopt plain English where possible in the SORP • Ensure consistency across the SORP • Ensure consistency of the SORP with the requirements of FRS 102. <p>Annex 1 sets out full details of all proposed amendments.</p>

- 2.3 FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* does not currently allow for all the advised changes to the SORP to be made. In particular, FRS 102 does not allow for changes to the recognition and measurement requirements for donated goods and services. The SORP-making body included this in its second submission to the FRC's periodic review. The Secretariat would highlight that the SORP drafting has only been able to focus on augmentations within the current bound of FRS 102. When the FRS 102 financial reporting exposure draft (FRED) is published, the Secretariat will outline if any further amendments might be able to be made subject to the outcomes of the consultation process for FRS 102.
- 2.4 With respect to the proposed amendment to mandate a designated fund for fixed assets purchased using a grant, the Secretariat recommends that the Charities SORP Committee considers whether the proposed amendment addresses the accounting problem that was identified at the reflection and problem-solving stages. A discussion question on this matter has been included in Annex 1 (see question 11).
- 2.5 Annex 1 contains a detailed explanation of all proposed amendments made to modules 5 and 6 of the SORP. Amendments that are similar in nature can be summarised as follows:
- **Amendments to the wording of requirements:** Several revisions to the wording of the SORP have been proposed for a range of reasons, including:
 - i. to ensure alignment and consistency with FRS 102
 - ii. to ensure consistent language is used across the SORP
 - iii. to simplify the language used in the SORP such that the SORP uses plain English where possible
 - iv. to improve the readability of the SORP.
 - **Cross-referencing:** The level of cross-referencing has been increased throughout modules 5 and 6. Cross-references have been included to direct SORP users to other modules within the SORP, paragraphs within the same module and entries in the glossary. Cross-referencing has been increased to allow for reduced duplication across the SORP (i.e. where cross-referencing replaces content in a paragraph) and to enhance the understandability of the SORP (e.g. by making clear which terms are defined in the glossary or where a SORP user can look for more information).
 - **Removal of content:** Some suggestions have been made to delete text from the current SORP. These suggestions have been made for a range of reasons, for example to reduce duplication across the SORP (see, for example, the amendments to paragraph 5.10) or to ensure that the

content of the SORP relates clearly to financial reporting requirements (e.g. it is proposed that the current paragraph 5.19 is deleted as it does not relate to the financial statements). The suggestions to delete text have been made to support the readability and understandability of the SORP.

3. Entitlement

3.1 Paragraph 5.8 of the current SORP requires that income is recognised when all of the following criteria are met:

- Entitlement – control over the rights or other access to the economic benefit has passed to the charity.
- Probable – it is more likely than not that the economic benefits associated with the transaction or gift will flow to the charity.
- Measurement – the monetary value or amount of the income can be measured reliably and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

3.2 FRS 102 does not refer to 'entitlement' in income recognition criteria. The SORP mirrors FRS 102's requirements for a probable of inflow of economic benefits and reliable measurement. However, rather than 'entitlement', FRS 102 includes the following requirements:

Non-exchange transactions

- Section 34 of FRS 102 on income from non-exchange transactions requires that in the absence of specified future performance-related conditions, transactions are recognised in income when the resources are received or receivable.

Exchange transactions

- Section 23 of FRS 102 requires that revenue on the sale of goods should be recognised when (a) the entity has transferred to the buyer the significant risks and rewards of ownership of the goods; and (b) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- Section 23 of FRS 102 requires that revenue on the sale of a service should be recognised by reference to the stage of completion of the transaction at the end of the reporting period.

3.3 The Secretariat anticipates that the recognition criteria for income from contracts with customers (equivalent to section 23 of FRS 102) will be revised when the FRED is published. It is possible that the FRED will include revenue recognition criteria per IFRS 15 *Revenue from Contracts with Customers*. IFRS 15 paragraph 31 states that "An entity shall recognise revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service (ie an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset." These recognition criteria apply to revenue from the sale of both goods and services. To the extent that the FRED reflects IFRS 15 criteria for recognition of income, further detailed consideration of the recognition criteria for income in the SORP is likely to be required.

3.4 The Secretariat understands that the preference of the Charities SORP Committee and the SORP-making Body in the past has been to retain the use of "entitlement" in the SORP as a proxy for "control", the term that frames the recognition criteria for income in FRS 102, as "entitlement" is considered more understandable for SORP users. The decision to retain the use of entitlement was made when drafting the current SORP which the FRC has issued its Statement on in accordance with its [Policy on Developing Statements of Recommended Practice](#) (SORPs) (January 2021).

3.5 In paragraph 5.8 of the redrafted module 5, the Secretariat has proposed an amendment to clarify that 'entitlement' has the same meaning as 'control over the associated asset', as entitlement may not be commonly understood to mean 'control'. We note that in the current SORP, as well as being used to mean 'control over rights or economic benefits', entitlement has also been used to mean 'transfer of risks and rewards' with regard to the sale of goods (see for example paragraph 5.41 of the current SORP) and so there are currently two different meanings of the word entitlement in the SORP. The Secretariat has proposed the removal of references to 'entitlement' in relation to the sale of goods and services to avoid the SORP containing one word that has been defined in two ways.

3.6 The Secretariat would note that:

- "entitlement" is not a term used across financial reporting standards and does not have an accepted generally understood definition, it is more akin to a common understanding of the term but where there is a common understanding there is a risk of misinterpretation of the term leading to potentially different financial reporting treatments by SORP accounts preparers that lose alignment with financial reporting treatments adopted using FRS 102.
- while many current users of the SORP may find retention of "entitlement" helpful due to their familiarity with the term, newcomers to the SORP who have financial reporting knowledge gained outside the charities sector or newly qualified accountants may find the use more confusing and not understand its meaning as being equivalent to control. Such SORP users may find terminology that is in common use across financial reporting standards to be more understandable.

1. What are the Charities SORP Committee's views on the use of "entitlement" in the income recognition criteria?

4. Capital Grants – Designated Fund

4.1 As noted in Table 1 above, the Charities SORP Committee has tentatively concluded that the SORP be amended to mandate the creation of a separate designated fund for income from capital grants, with separate presentation on the face of the financial statements.

4.2 In response to this tentative conclusion, a new paragraph, paragraph 5.28, has been included in the draft SORP to mandate the use of a designated fund for fixed assets acquired through capital grant receipts, with separate presentation on the face of the financial statements. (Note that the presentation of paragraph will be assessed once the Committee has discussed the principles within the paragraph. It may be that the paragraph would be better separated into several smaller paragraphs).

4.3 Note that, as drafted, paragraph 5.28 applies to both restricted and unrestricted capital grants.

2. Which accounting problem identified during the reflection and problem-solving stage of the process was this proposed amendment addressing?

3. Is the Committee content with the wording of the paragraph as drafted? Is the proposed paragraph addressing the accounting issue raised? Is the Committee content for the SORP to mandate trustees to show a fund as designated?

4. Is the committee content with the requirement to disclose the movement on designated funds on the face of the SoFA?

- 4.4 At its meeting on 9 September 2021, the Charities SORP Committee did not discuss whether the requirement to designate a separate fund for income from capital grants should apply to charities in all three tiers. The Secretariat notes that an additional mandatory requirement may be onerous for small charities, or otherwise unnecessarily add to the reporting burden.

5. Is the Charities SORP Committee content for the proposed amendment to apply to charities in all three tiers? If not, to which tiers should the requirements apply?

- 4.5 The Secretariat notes that it is usual for new requirements that are adopted as a result of changes in accounting standards to be adopted with retrospective application. If the use of a designated fund is mandated as proposed, the Secretariat anticipates that retrospective application would be required, therefore charities who currently do not have such a designated fund will be required to restate comparative figures in the financial statements.

6. How does the Committee anticipate that charities will transition to apply these new requirements?

- 4.6 The Secretariat notes that paragraph 5.26 of the redrafted module 5 (as in the appendices to this report) uses the example of recognising income where a donation or grant is given specifically to provide a fixed asset or a fixed asset is donated. The Secretariat considers that this example remains relevant and helpful, therefore has not proposed deleting it. However, as the additional paragraph discussed above (paragraph 5.28) requires the use of a designated fund where grants are received for capital expenditure, the Charities SORP Committee may be of the view that a new example may be required in paragraph 5.26, or that the example should be deleted from paragraph 5.26.

7. Does the Charities SORP Committee recommend retaining the example as currently included in paragraph 5.26, or would the Committee prefer to delete or amend the example given the revised SORP includes additional requirements mandating the use of a designated fund for fixed assets?

8. If the Committee recommends an amended example, what should the amended example be?

5. Legacies

- 5.1 The commentary from the Charities SORP Committee on 11 November 2021 and the Charities SORP Committee itself at its meeting held on 9 September 2021 called for greater emphasis on materiality considerations in the requirements for accounting for income from legacies. A proposed amendment has been made to paragraph 5.29 to reflect these suggestions.¹
- 5.2 The Secretariat would, however, note that highlighting a particular section of the SORP (i.e. income from legacies) by including specific references to materiality might potentially lead to confusion. For example, preparers may only consider materiality if it is highlighted within a section of the SORP, rather than considering materiality throughout as is intended.

9. Is the Charities SORP Committee content with the reference to materiality considerations as proposed in this draft paragraph?

Is the Committee concerned that an emphasis on materiality in this section of the SORP may lead preparers to misinterpret the SORP such that materiality is only considered by preparers if it is directly referenced alongside accounting requirements for particular transactions or events?

- 5.3 Commentary presented to the Charities SORP Committee questions whether challenges to a legacy affect entitlement or reliable measurement. The Secretariat is of the view that challenges could affect either a charity's control of a legacy or reliable measurement. For example, a charity could consider it probable that it will receive legacy income following the conclusion of the challenge, indicating control over the related asset, but that the amount expected will be affected by the challenge such that the amount cannot be estimated reliably. The Secretariat there recommends that the reference to challenges is retained as a valid example of how uncertainty may arise with respect to measurement.²

10. Is the Charities SORP Committee content with the content of paragraph 5.40 following consideration of the views of the ILM?

6. Detailed Drafting Proposals

- 6.1 Annex 1 itemises the drafting proposals for modules 5 and 6 as they relate to income and donated goods and services. Questions for discussion are included, although not every proposed adjustment to the SORP has a discussion question. Committee Members are invited to make comments or

¹ Note: 5.1 has been updated to remove unnecessary text.

² Note: 5.3 has been updated to remove unnecessary text.

recommendations with respect to any suggested amendments, including those that do not have a specific discussion question.

- 6.2 The contents of module 4 Statement of Financial Activities related to income have not yet been redrafted. Module 4 is on the agenda for the next meeting of the Charities SORP Committee, at which point content related to income will be reviewed.
- 6.3 Unless otherwise indicated, paragraph references in the table in Annex 1 refer to the paragraph numbers in the draft SORP modules presented as appendices to this report.

The SORP Committee is invited to consider the list of amendments and discussion question in Annex 1 relating to the drafting suggestions for the income modules within the SORP.

7. Possible implications of IFRS 15 *Revenue from Contracts with Customers* for the SORP (to note).

- 7.1 In September 2022, the IASB published the exposure draft for the Third Edition of the *IFRS for SMEs* Accounting Standard. This Exposure Draft (ED) is known to be of interest to the FRC in the drafting of the FRED and is likely to inform the content of the FRED.
- 7.2 Of particular relevance to the income topics reviewed by the Charities SORP Committee is the alignment of the IASB's ED to IFRS 15 *Revenue from Contracts with Customers*. Should the FRED also align to IFRS 15, as is expected, it is likely that changes will be required to the text of the SORP.
- 7.3 The objective of IFRS 15 is for an entity to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.
- 7.4 To achieve this objective, IFRS 15 adopts a five step model for revenue recognition. The same five step model is used when recognising income from any contract with a customer, including construction contracts For information, from paragraph 23.3 of the [IFRS for SMEs ED](#) the five steps are:
- Step 1—Identify the contract(s) with a customer;
 - Step 2—Identify the promises in the contract;
 - Step 3—Determine the transaction price;
 - Step 4—Allocate the transaction price to the promises in the contract; and
 - Step 5—Recognise revenue when (or as) the entity satisfies a promise.
- 7.5 Should Section 23 of the revised FRS 102 be based on IFRS 15, it is likely that the requirements will only apply to revenue from *contracts with customers*. That is, non-contractual income falls outside the scope of IFRS 15. This may minimise the impact of IFRS 15 on the SORP as much of the coverage of the SORP does not relate to income earned through a contract. However, to the extent that changes are required to the SORP following updates to Section 23 of FRS 102 (i.e. for the recognition of income from contracts), the Charities SORP Committee may wish to give thought to the consistency of income recognition across the SORP as a whole.

- 7.6 The changes to section 23 in the *IFRS for SMEs ED* necessitated a complete rewrite so if a similar approach is adopted in FRS 102, the Secretariat anticipates that an extensive rewrite of modules 5 and 6 of the SORP may be required. For example, the content of paragraphs 5.43 – 5.55 of the appendices to this currently reflects the requirements of IAS 18 *Revenue*. Should the FRED adopt the principles and requirements of IFRS 15, this section of the SORP is likely to need to be revised.
- 7.7 In redrafting modules 5 and 6, the Secretariat has noted the following aspects of income recognition for which a transition to an IFRS 15-aligned FRS 102 may be affected:
- As mentioned in Section 3 of this report above, IFRS 15 frames income recognition in terms of “control”, i.e. once control has passed to the customer, income is recognised.
 - Should the five step model referred to above be included in FRS 102, the sections of the SORP on income from contracts with customers, income from membership subscriptions and income from interest, royalties and dividends will need to be reviewed and revised as, being contractual, they will fall under the scope of IFRS 15.
 - The transition arrangements set out in paragraph A22 of the *IFRS for SMEs ED* allow for either retrospective or prospective application of the revised revenue recognition requirements. Should the same approach be taken in the FRED, this is likely to allow the Charities SORP Committee some latitude over the relevant transition requirements.
 - IFRS 15 and the *IFRS for SMEs ED* contain content on variable consideration where the consideration promised in a contract includes a variable amount. While it is assumed that accounting income from non-exchange transactions will be unchanged following any changes to Section 23 of FRS 102, the Charities SORP Committee may wish to consider how requirements such as the requirements for variable consideration may affect accounting for income from non-exchange transactions.
- For example, in the context of contentious legacies, paragraph 23.46 of the *IFRS for SMEs ED* requires that “An entity shall include in the transaction price some or all of an amount of variable consideration ... only to the extent that it is **highly probable** that this amount will become due when the uncertainty associated with the variable consideration is subsequently resolved.” If applied to legacy income in the context of charities, this requirement may affect charities’ estimates of income when a legacy is challenged.
- 7.8 IFRS 15 has been effective for many commercial entities since the accounting period beginning on or after 1 January 2018. Anecdotally, the Secretariat is aware that the impact of IFRS 15 on the accounts of the companies who have adopted the standard has varied according to industry and business practices. For example, some sectors, such as telecoms, have seen a significant impact on earnings. However, some sectors, such as retail and property investment, have seen less of an impact.

Disclaimer

This Charities SORP Committee paper including its Annex has been developed to assist in the development and drafting of the Charities SORP. Readers should not treat the information contained in these papers 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.

Rationale for proposed amendments to the Charities SORP

The table below is intended to be used alongside either Appendix 1 or Appendix 2, which contain relevant draft revised SORP extracts. Appendix 2 includes the draft revised SORP extracts with track changes on. Appendix 1 contains the draft revised text without track changes (for ease of reading).

Paragraph reference	Amendment made	Reason for Proposed Amendment	Question for consideration
Module 5 - Recognition of income, including legacies, grants and contract income			
5.1	A table indicating the requirements of different tiers included. Note that it is proposed this module of the SORP will be applied equally to all three tiers. The SORP-making Body notes that FRS102 doesn't offer latitude over the application of the principles.	To maintain consistency across all modules a table specifying the impact of tiered reporting requirements has been introduced.	1. Is this an appropriate approach to tiered reporting for module 5? The SORP Committee is invited to consider whether any additional reporting requirements might apply to any of the tiers for accountability or transparency.
5.2	The definition/description of income has been rephrased. It is suggested that the definition of income should be included in the glossary.	The revised wording better aligns with the FRS 102 definition of income (see FRS 102 [2.23(a)]).	2. Is the Charities SORP Committee content with the revised definition/description of income?
5.3	"Rules" replaced with "principles"	FRS 102 and the SORP are principles-based; the paragraph has been updated to reflect this.	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</i>
5.4	The terms "exchange transactions" and "non-exchange transactions" have been highlighted in blue. This is to indicate that the terms are explained in the SORP Glossary. In the electronic version of the SORP, it is suggested that the text highlighted in blue should be hyperlinked to the glossary. The proposed glossary explanations have already been discussed by the Charities SORP Committee at its meeting on 26 July 2022, but have been	It is proposed that explanations of terminology within SORP paragraphs are removed and SORP users are re-directed to the glossary. This is to avoid terms being described several times across the SORP. The proposed approach removes duplication across the SORP, and removes the potential for terms such as "exchange transaction" being explained slightly differently in different modules of the SORP.	3. As the concepts of exchange and non-exchange transactions might cause confusion for preparers, is the Charities SORP Committee content for the definitions and examples to be contained in the glossary, or would the Charities SORP Committee advise that the definitions and relevant examples are included in the main body of module 5?

Paragraph reference	Amendment made	Reason for Proposed Amendment	Question for consideration
	included in a Comment for context.	This is consistent with amendments to the SORP made with respect to expenses.	
Old paragraph 5.4	Paragraph deleted.	This paragraph explained exchange and non-exchange transactions. As these terms were agreed to be included in the glossary at the meeting of the Charities SORP Committee on 26 July 2022, there is no need to explain the terms in the main body of the SORP.	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</i>
5.5	The first sentence has been rephrased.	The revised wording has been suggestion to avoid the paragraph giving the impression that donations of money, goods, facilities or services which are given freely to the charity by a donor are the only forms of income from a non-exchange transaction.	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</i>
5.6	This paragraph has been rephrased.	These amendments are suggested to improve readability of the SORP.	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</i>
5.7	This paragraph has been rephrased. A cross-reference to the Fund Accounting module has been included.	These amendments are suggested to improve readability of the SORP and to adopt plain English where possible.	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</i>
Section header above paragraph 5.8	'Rules' has been replaced with 'Principles'	As the SORP is principles-based, it is proposed to amend references to 'rules' to better reflect the principles-based nature of the reporting requirements.	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</i>
5.8	A cross-reference to paragraph 5.2 is included rather than repeating the definition of income.	The amendments are proposed to avoid duplication across the SORP and to	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations</i>

Paragraph reference	Amendment made	Reason for Proposed Amendment	Question for consideration
	Content of the paragraph has been rephrased.	improve readability of the SORP.	<i>with respect to the suggested amendments.</i>
5.9	Suggested deletion of “(or by volunteers working at the charity’s direction)” Content of the paragraph has been rephrased.	The amendments are proposed to improve readability of the SORP.	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</i>
5.10	A cross-reference to paragraph 5.8 is included rather than repeating the recognition criteria for income.	The amendment is proposed to avoid duplication across the SORP.	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</i>
5.11	The paragraph has been reworded to include reference to all three recognition criteria.	Per section 3 of this report above, there is a need to ensure that use of ‘entitlement’ in the SORP is consistent with the principles of the revenue/income recognition criteria in FRS 102. This paragraph has been reworded to ensure consistency with FRS 102.	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</i> <i>Please see section 3 of the report.</i>
5.12	‘gifts’ has been replaced with ‘donations’	This amendment is proposed to use consistent terminology across the SORP.	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</i>
5.13, 5.14	Content from the end of the section has been moved to the start of the section, allowing for content in paragraph 5.14 to be stripped out. A cross-reference to guidance on income recognition for conditional grants or donations has been included in paragraph 5.14.	The amendments are proposed to avoid duplication across the SORP and to improve readability and understandability of the SORP.	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</i>
5.14	Content of the paragraph has been rephrased.	The amendment is suggested to improve readability of the SORP and to ensure consistency with	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations</i>

Paragraph reference	Amendment made	Reason for Proposed Amendment	Question for consideration
		the income recognition principles in FRS 102.	<i>with respect to the suggested amendments.</i>
5.15, 5.18	<p>Text explaining the meaning of 'restriction' has been moved into an earlier paragraph (from paragraph 5.18 to paragraph 5.15).</p> <p>A cross-reference to paragraph 5.15 has been included in paragraph 5.18.</p> <p>Rewording has been suggested.</p>	<p>The amendments are suggested to reduce duplication across the SORP and to improve readability of the SORP.</p> <p>The suggested rewording is intended to link the definition of a restriction to the required financial reporting treatment.</p>	<p>The Secretariat recommends that paragraph 5.18 remains in the SORP for the benefit of preparers that refer to discrete sections of the SORP rather than whole modules, therefore may not read paragraph 5.15 before reading paragraph 5.18.</p> <p>4. Does the Charities SORP Committee agree that paragraph 5.18 as redrafted should remain in the SORP?</p>
5.16	Content of the paragraph has been rephrased.	<p>The amendments are proposed to ensure this paragraph is consistent with paragraph 7.17 as presented in the draft Module 7 reviewed by the Committee on 5 October 2022 (in the section on Accounting for liabilities arising from performance-related grants).</p> <p>The Secretariat has retained text in the module that is duplicated elsewhere in the SORP rather than making use of cross referencing.</p> <p>The duplicated text is an explanation of performance-related grants. Charities may be accounting for such grants as either a recipient or a grant-making body. The duplicated text is clearly relevant in both contexts. On this occasion, when a cross-reference would take the preparer to a separate module entirely, the Secretariat anticipated that the benefits of having the text close to the accounting requirements is likely to outweigh the disadvantages</p>	<p>5. Is the Charities SORP Committee content with duplication of content explaining the term 'performance-related grant' across the SORP, or would the Committee prefer cross-referencing to avoid duplication across the SORP?</p> <p>Module 7 includes more guidance on performance-related grants than is included in this section of Module 5. Specifically, paragraph 7.16 of the draft Module 7 as presented to the Committee on 5 October 2022 states:</p> <p>"The key characteristic of a performance-related grant is that the amount of the grant payable to the recipient is determined by the extent of their performance in meeting the conditions set out in the grant agreement."</p> <p>6. If the Charities SORP Committee is content with duplication of content explaining the term 'performance-related grant' across the SORP</p>

Paragraph reference	Amendment made	Reason for Proposed Amendment	Question for consideration
		of duplicating text across the SORP.	per Question 5, does the Charities SORP Committee recommend the inclusion of the text included in paragraph 7.16 of the revised SORP in paragraph 5.17 in this section of Module 5?
Old paragraph 5.17	The paragraph as written did not refer to the financial statements or to financial reporting treatment. It is therefore suggested that the paragraph is deleted.	The deletion of this paragraph is proposed to support streamlining to focus on the relevant provisions of the SORP where possible and also to improve readability of the SORP.	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</i>
Old paragraph 5.19	The paragraph as written did not refer to the financial statements or to financial reporting treatment. It is therefore suggested that the paragraph is deleted.	The deletion of this paragraph is proposed to support streamlining to focus on the relevant provisions of the SORP where possible and also to improve readability of the SORP.	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</i>
Title above 5.19	The title has been reworded to clarify the relevant subject matter of the section.	The amendments are suggested to improve readability and usability of the SORP.	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</i>
5.19	Content of the paragraph has been rephrased.	The amendments are suggested to improve readability of the SORP.	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</i>
5.20, 5.21	n/a	The Secretariat recommends deleting or amending these paragraphs to improve the understandability of the SORP and its links to FRS 102. As written, the Secretariat is of the view that the link between specification of a time period over which expenses can be incurred and the required financial reporting treatment is	7. Is the Charities SORP Committee content with deleting content from paragraphs 5.20 and 5.21? If not, how does the Committee recommend that the implications for the paragraphs for a charity's financial reporting are articulated?

Paragraph reference	Amendment made	Reason for Proposed Amendment	Question for consideration
		<p>unclear. Further, the Secretariat is unclear as to how these paragraphs add to the requirements stated elsewhere in the SORP that income from grants with performance-related conditions should be recognised as the conditions are met (which may be over time rather than at a point in time).</p> <p>It is noted that general feedback from engagement strands was that there is a need for more additional guidance and examples on time-related conditions in the SORP.</p>	
<p>Old paragraph 5.23, new paragraphs 5.22 – 5.24</p> <p>Section headings above paragraphs 5.22 and 5.23</p>	<p>Old paragraph 5.23 as written was similar in nature to the paragraph immediately below, however, referred to income recognition when it is probable that the terms or conditions imposed can be met.</p> <p>There is a risk of confusion, as the paragraph immediately following this paragraph (i.e. old paragraph 5.24) requires that conditions are met without reference to probability.</p> <p>Paragraph 5.23 has been deleted and content on accounting for grants with performance-related conditions and grants with conditions wholly outside the control of the charity has been separated into two sections.</p> <p>Content across both sections has been rephrased.</p>	<p>These amendments have been proposed to enhance clarity with the aim of avoiding possible confusion for SORP users (for example, by referring to “terms” rather than “conditions” to avoid confusion with performance-related conditions), and to ensure compliance with FRS 102.</p>	<p>8. Is the Charities SORP Committee content with the use of two separate sections for the requirements for accounting for grants (i.e. a section for the requirements for performance-related or other conditions, and a section for conditions not wholly within the control of the charity)?</p> <p>9. If so, is the Committee content with the subheadings used for each section?</p>

Paragraph reference	Amendment made	Reason for Proposed Amendment	Question for consideration
5.25	It is suggested that the first sentence of this paragraph is deleted.	<p>The sentence (“When meeting terms or conditions is within the charity’s control and there is sufficient evidence that they have been or will be met, then the income must be recognised.”) makes reference to recognising income when it expected that conditions “will be met”. This is likely to create confusion, as income from a grants with performance related conditions should only be recognised when those conditions <i>are</i> met.</p> <p>It is proposed that the paragraph is deleted to avoid confusion. Further, deletion is recommended to ensure the SORP remains consistent with FRS 102. FRS 102 paragraph PBE34.67 states that [t]ransactions that ... impose specified future performance-related conditions on the recipient are recognised in income only when the performance-related conditions are met. Reference to recognition of income when conditions “will be” met creates the risk that preparers may recognise income earlier than is permitted by FRS 102.</p>	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</i>
5.26	Reference to ‘expenditure’ has been replaced with a reference to ‘expenses incurred’.	This amendment is proposed to ensure consistency with module 7 as discussed by the Charities SORP Committee at its meeting held on 5 October 2022.	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</i>
5.26	A cross reference has been provided to paragraph 5.28, which covers the fund accounting requirements where grants or donations	As the example in paragraph 5.26 relates to grants and donations received for capital expenditure, the amendment is proposed to improve	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations</i>

Paragraph reference	Amendment made	Reason for Proposed Amendment	Question for consideration
	are received for capital expenditure.	linkages between sections of the SORP. The intention is to assist preparers.	<i>with respect to the suggested amendments.</i>
5.27	The paragraph has been rephrased. Reference has been included to recognition of an expense alongside recognition of a liability for any probable repayment of grant income.	The amendment is intended to improve the usability of the SORP by making reference to both sides of the accounting treatment for a probable repayment of grants funds.	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</i>
5.28	This proposed paragraph is discussed in Section 4 of the report above.	This proposed paragraph is discussed in Section 4 of the report above.	This proposed paragraph is discussed in Section 4 of the report above.
Throughout the section on income from legacies	The content in the section on income from legacies has been rearranged/restructured and rephrased. Content on general recognition criteria for income has been removed and replaced with a cross-reference to paragraph 5.8.	Commentary presented to the Charities SORP Committee on 11 November 2021 by the Institute of Legacy Management called for a restructuring of this section of module 5 such that the section starts with an overall introduction to the income recognition criteria for legacies before covering the main requirements for the three recognition criteria (entitlement, probable receipt, reliable measurement) in turn. Cross-referencing is proposed to reduce repetition across the SORP.	10. Is the Charities SORP Committee content with the suggested restructuring and rephrasing of this section of the SORP?
5.29	Reference has been made to materiality considerations.	This proposed amendment is discussed in Section 5 of the report above.	This proposed amendment is discussed in Section 5 of the report above.
5.30	Reference has been made to considering challenges or claims when considering a charity's entitlement to a legacy.	Commentary presented to the Charities SORP Committee on 11 November 2021 by the Institute of Legacy Management (ILM) highlighted that the SORP currently discusses challenges to a legacy only in terms of uncertainty of measurement. The ILM noted that legal challenges	11. Is the Charities SORP Committee content with the proposed inclusion of content on the link between challenges and other claims and a charity's entitlement to a legacy in the SORP? If so, is the Committee content with the suggested wording of the proposed

Paragraph reference	Amendment made	Reason for Proposed Amendment	Question for consideration
		<p>may affect a charity's entitlement to a legacy.</p> <p>The amendment has been proposed to reflect the comments made by the ILM.</p>	<p>amendment to this paragraph?</p>
5.34	N/A	<p>The final sentence of this paragraph refers to using information to develop accounting policies rather than accounting estimates.</p> <p>The Secretariat recommends that reference is made to using information to develop accounting estimates, for example around measurement of expected income from legacies.</p>	<p>12. Does the Charities SORP Committee agree that paragraph 5.34 should refer to use of information from databases etc. to help develop accounting estimates? Should this be instead of, or as well as, the reference to developing accounting policies?</p>
5.35	Reference to "entitlement" has been removed from the paragraph.	<p>The portfolio approach to measurement of future inflows from legacies is relevant to the reliable measurement of legacy income. It is suggested that the reference to entitlement is removed from this paragraph to allow for a focus on reliable measurement.</p>	<p><i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</i></p>
5.38	This paragraph has been reworded to reframe the issue as one of estimation uncertainty rather than impairment.	<p>Use of "impairment" in this context is considered to be potentially misleading. If a legacy debtor is impaired, it would be appropriate to recognise the impairment loss as an expense per paragraph 12.18 of the SORP.</p> <p>The treatment required by paragraph 5.38, i.e. to reduce legacy income rather than recognise an expense, is appropriate for a change in estimate. It is recommended that the wording of the paragraph is amended to ensure terminology is applied</p>	<p>13. Are there any circumstances in which a legacy debtor could be impaired (as opposed to the estimated receivable being remeasured as a result of a change in estimate)?</p>

Paragraph reference	Amendment made	Reason for Proposed Amendment	Question for consideration
		consistently across the SORP.	
5.41	Some content has been removed from the paragraph.	This amendment is proposed to improve the readability of the SORP. As the user of the SORP is redirected to a different SORP module which includes details of accounting for income from donated goods, facilities and services, details of the accounting difficulties associated with recognising such income do not need to be addressed in module 5.	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</i>
5.43	A cross reference to the Fund Accounting module has been included.	This amendment is proposed to improve the navigability, and therefore usability, of the SORP.	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</i>
5.44	The paragraph has been rephrased to remove references to 'entitlement'.	Please see section 3 of this report for further detail.	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</i>
5.45	The paragraph has been rephrased and presented in bullet points.	The amendments are suggested to improve clarity and readability of the SORP.	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</i>
5.46	It is suggested that 'physical' is deleted from the third suggested way of measuring percentage completion of a service contract. The paragraph has been rephrased to remove references to 'entitlement'. Criteria that originally spanned two paragraphs has been condensed into one.	Where a service contract is related to the provision of intangible services, reference to a 'physical' proportion of service provided may confuse users of the SORP. Please see section 3 of this report for detail on the amendments relating to entitlement.	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</i>
5.47	The requirements for income recognition where the costs	This amendment is suggested to support the use	<i>There is no specific question on this paragraph. Committee</i>

Paragraph reference	Amendment made	Reason for Proposed Amendment	Question for consideration
	to complete a contract cannot be estimated reliably have been rephrased.	of plain English in the SORP and to ensure alignment with FRS 102 paragraph 23.16.	<i>Members are invited to make comments or recommendations with respect to the suggested amendments.</i>
Old paragraph 5.45	The first sentence of this paragraph has been moved to the first bullet point of paragraph 5.43. It is proposed that the rest of the paragraph is deleted, as it repeats content included in paragraphs 5.43 and the new paragraph 5.45.	This amendment is proposed to reduce duplication across the SORP.	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</i>
5.48	The paragraph has been rephrased to remove references to 'entitlement'.	Please see section 3 of this report for further detail.	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</i>
5.49	The paragraph has been rephrased.	Additional wording is proposed to clarify the meaning of unwinding a discount. It is suggested that the phrase 'normal credit terms' is deleted, as the definition of 'normal' is not provided. These amendments are proposed to enhance the understandability of the SORP.	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</i>
5.50	References to 'gift' have been changed to 'donation'.	This proposed amendment is consistent with proposed amendments made elsewhere in this draft module. The use of different terminology interchangeably is likely to adversely affect the readability of the SORP. This amendment is proposed to promote consistent use of terminology across the SORP and is intended to enhance readability of the SORP.	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</i>
5.54, 5.55	It is proposed that this formerly single paragraph is	Old paragraph 5.52 combined references to	<i>There is no specific question on this paragraph. Committee</i>

Paragraph reference	Amendment made	Reason for Proposed Amendment	Question for consideration
	separated into two paragraphs.	dividends and Gift Aid. As these are two separate forms of income, it is proposed that the paragraph is separated such that income from dividends and income from Gift Aid are each the subject of a separate paragraph.	<i>Members are invited to make comments or recommendations with respect to the suggested amendments.</i>
5.56	The paragraph has been rephrased to remove references to 'entitlement'.	Please see section 3 of this report for further detail.	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</i>
5.56 – 5.58	N/A	<p>The Secretariat is of the view that it may be more appropriate for accounting requirements for the settlement of insurance claims to be included in the new module on Provisions, Contingent Liabilities and Contingent Assets as presented to the meeting of the Charities SORP Committee held on 5 October 2022.</p> <p>However, as income is a topic that is likely to be revisited after the publication of the FRS 102 Financial Reporting Exposure Draft (FRED), the Secretariat suggests reviewing this section of module 5 following the publication of the FRED.</p>	14.Does the Charities SORP Committee agree that the need for a separate section on the settlement of insurance claims in module 5 should be reviewed after the publication of the FRED?
5.61, 5.62	As the opening sentence of the paragraph refers solely to receipts of government grants, the content of disclosure of government assistance has been separated out into a new paragraph.	A charity may be in receipt of government assistance without receiving government grants. A charity in this situation must still disclose the forms of government assistance from which it has directly benefitted. The amendment is proposed to ensure charities in receipt of government assistance but not government grants	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</i>

Paragraph reference	Amendment made	Reason for Proposed Amendment	Question for consideration
		adhere to the disclosure requirements of FRS 102.	
Module 6 – Donated goods, facilities and services, including volunteers			
6.1	A table indicating the requirements of different tiers included. Note that it is proposed this module of the SORP will be applied equally to all three tiers.	To maintain consistency across all modules a table specifying the impact of tiered reporting requirements has been introduced.	15. Is this an appropriate approach to tiered reporting for module 6? The SORP Committee is invited to consider whether any additional reporting requirements might apply to any of the tiers for accountability or transparency.
6.2	Reference to volunteers has been added to the paragraph.	This amendment is suggested to ensure the completeness of the paragraph.	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</i>
6.3	The reference to a complete section of FRS 102 has been amended such that a specific reference to 11 relevant paragraphs is made.	This amendment is proposed following agreement of the Charities SORP Committee at its meeting held on 5 October 2022 that specific references to individual paragraphs of FRS 102 are more helpful than references to a whole section of FRS 102.	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</i>
Old paragraphs 6.4 and 6.5	It is suggested that some content is removed from the introduction and included later in the module. Content from old paragraph 6.4 is now included in the section on Measurement Bases, content from old paragraph 6.5 is now in paragraph 6.6.	This amendment is proposed to avoid duplication across the SORP and to ensure that all relevant paragraphs are grouped together, allowing the SORP user a complete understanding of each subsection of the SORP when determining the appropriate treatment for a transaction or event.	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</i>
6.4	Reference has been made to materiality considerations.	At the meeting of the Charities SORP Committee held on 28 September 2021, the Committee noted the importance of materiality when accounting for donated goods, services and facilities.	16. Is the Charities SORP Committee content with the reference to materiality considerations as proposed in this draft paragraph? Is the Committee concerned that

Paragraph reference	Amendment made	Reason for Proposed Amendment	Question for consideration
		The amendment is proposed to emphasise materiality as charities account for such donations.	an emphasis on materiality in this section of the SORP may lead preparers to misinterpret the SORP such that materiality is only considered by preparers if it is directly referenced alongside accounting requirements for particular transactions or events?
6.6	The recognition criteria for income from donated goods, facilities and services have been amended.	This amendment is proposed to better align the content of paragraph 6.7 with that in 5.8. The intention is to avoid inconsistencies across the SORP. In particular, it is proposed that reference to performance-related conditions is removed from the explanation of 'entitlement'. The Secretariat is of the view that it is unnecessary to refer to performance-related conditions here as, by definition, control of donated goods, facilities or services does not pass to the charity unless conditions are met.	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</i>
6.7	Clarification on income recognition in the event of performance-related conditions, together with a cross reference to module 5, has been included in the paragraph.	While the SORP anticipates that donated goods, facilities and services are unlikely to be subject to performance-related conditions, the inclusion of a cross reference to module 5 will provide guidance to charities that do receive conditional donations of goods, facilities and services.	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</i>
6.10	The paragraph has been rephrased.	It is proposed that the wording of the paragraph is amended to enhance the clarity of the paragraph and	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations</i>

Paragraph reference	Amendment made	Reason for Proposed Amendment	Question for consideration
		to align the content of the paragraph with FRS 102.	<i>with respect to the suggested amendments.</i>
6.12	The paragraph has been rephrased. The amendments include changing a 'should' requirement to a 'must' requirement, reflecting the mandatory nature of the requirement per FRS 102.	It is proposed that the wording of the paragraph is amended to enhance the clarity of the paragraph and to better link to the wording of the paragraph in stock valuation in module 10 (paragraph 10.61).	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</i>
6.13	The paragraph has been rephrased. In particular, a cross reference to the recognition criteria in paragraph 6.7 has been included in place of a rephrasing of the recognition criteria.	The amendments are proposed to enhance consistency across the module.	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</i>
6.14	Content has been removed from this paragraph.	At the meeting of the Charities SORP Committee held on 28 September 2021, the Committee requested clarity regarding the valuation of donated facilities and services. Specifically, the need to value donated facilities and services at the value to the charity was stressed. It is proposed that non-essential content is removed from this paragraph to make it clearer that donated facilities and services that the charity would otherwise have purchased should be valued at the value to the charity .	17. Is the Charities SORP Committee content with the proposed amendments to paragraphs 6.14 and 6.17? Do the revised paragraphs meet the objective of the Committee to make it clearer that donated facilities and services should be valued at the value to the charity?
6.17	A cross reference to paragraph 6.14 has been included in the paragraph.	As above, this amendment is proposed to encourage charities to consider the value of the donation to the charity when valuing the donation where the charity would otherwise have purchased the donated facilities or services.	

Paragraph reference	Amendment made	Reason for Proposed Amendment	Question for consideration
6.15	The paragraph has been rephrased.	The amendment has been suggested to clarify the SORP requirements and to ensure that an alternative phrasing of “fair value”, which may lead to confusion, is not included in the SORP.	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</i>
6.16	Additional content has been included.	The proposed amendment is intended to clarify the timing of income recognition.	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</i>
6.20	N/A	At the meeting of the Charities SORP Committee held on 9 September 2021, the Committee recommended mandating the creation of a separate designated fund for income from capital grants, with separate presentation on the face of the financial statements. No mention was made of mandating a separate designated fund for donated assets.	18. Is the Charities SORP Committee content that a separate designated fund should be mandated for fixed assets acquired using a grant, but not for donated fixed assets?
6.23	“should” has been changed to “must”	This amendment is proposed because the paragraph reflects a requirement of FRS 102. Additional minor amendments have been made to the wording of the final sentence to enhance the readability of the SORP.	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</i>
6.24	A cross reference to paragraph 6.12 (which contains requirements for calculating any impairment of donated goods) has been included.	This proposed amendment is intended to improve the usability of the SORP by clarifying the process that charities are expected to apply.	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</i>
6.25	Some content has been deleted from the paragraph.	The amendment is proposed to improve the readability of the SORP.	<i>There is no specific question on this paragraph. Committee Members are invited to make</i>

Paragraph reference	Amendment made	Reason for Proposed Amendment	Question for consideration
			<i>comments or recommendations with respect to the suggested amendments.</i>
6.26	Some rewording is suggested in this paragraph.	The amendments are suggested to ensure consistency of language across the SORP and to ensure that the requirements focus on the needs of the users of the accounts rather than the preparers.	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</i>
6.30	Additional wording included to explain the treatment of donated goods when they are sold.	This amendment is intended to enhance the usability of the SORP by explaining requirements in plain English.	<i>There is no specific question on this paragraph. Committee Members are invited to make comments or recommendations with respect to the suggested amendments.</i>
6.32	Additional content has been included in the paragraph on disclosing the number of volunteers that support the charity.	<p>At the meeting of the Charities SORP Committee held on 28 September 2021, the Committee agreed with engagement strand feedback in support of disclosing information about the number of volunteers.</p> <p>The amendment is proposed in response to the Committee's recommendation.</p> <p>It is noted that in the redrafted Module 1, as presented to the last meeting of the Committee, the requirement to disclose the number of volunteers is a 'should' requirement for charities in Tier 2.</p>	19. Is the Charities SORP Committee content with the proposed amendment? If so, and noting the tiered reporting requirements in the redrafted Module 1, does the Committee anticipate that the requirement should apply to charities in all three tiers?

Extract of Table Presented at the 16 February 2022 Meeting of the SORP Committee

Topic (date reviewed)	Tentative conclusions reached	Implications for the text
Accounting for legacies (9 September 2021)	<p>The SORP could helpfully provide more guidance on grant conditions, as this is an area that can be problematic in practice.</p> <p>One Committee Member noted the need for education, as users of the accounts may be inappropriately applying the same thinking adopted in the context of corporate accounts to the interpretation of charitable accounts. The Secretariat noted that there are similar issues in local government accounting, for which guidance is available. This guidance could be used to supplement the existing guidance in the SORP if that is helpful.</p> <p>Reflecting on the discussion, the Chair concluded that, with respect to income from capital grants, there was support for mandating the use of a designated fund, noting the need to be mindful of practicalities and unintended consequences. Following confirmation with Committee Members, the Chair concluded that the SORP Committee agreed that the preferred change to the SORP would be to mandate the creation of a separate designated fund for income from capital grants, with separate presentation on the face of the financial statements and not progress with the accruals model.</p> <p>Worked examples may help charities make judgements with respect to the existence of conditions in a grant. A Committee Member cautioned that there must be clarity on the status of information sheets. In summary, the Chair noted support for additional guidance sheets and worked examples, commenting that the status of such sheets and examples should be clear.</p> <p>On accounting for grant making, the Chair noted that charities may be misunderstanding the current content of the SORP. This could be reflected on at drafting stage, and in the provision of additional educational material.</p>	<p>Mandate the creation of a separate designated fund for income from capital grants, with separate presentation on the face of the financial statements.</p> <p>Sense check the current text.</p>
Accounting for legacies (9 September 2021)	<p>It was noted that the requirement to “control” the rights or other access to the economic benefits associated with a legacy can be problematic. This can lead to charities recording income from legacies before they can draw on the legacy. It was noted that the Trustees’ Annual Report could clarify issues around legacies being accounted for before the resources have been received.</p> <ul style="list-style-type: none"> • Events post year-end can create difficulties as it requires judgement to determine whether such events are adjusting or non-adjusting. One committee member suggested that inclusion of flowcharts in the SORP would be helpful in this respect, and more broadly, when supporting non-accounting specialists in accounting for legacies. • Use of “normally” (e.g. in SORP paragraph 5.31 “Receipt of a legacy must be recognised when it is probable that it will be 	<p>Add a flowchart in respect of handling post year end notifications.</p> <p>Look to narrow the options for recognition. (Where FRS102 offers options, a SORP can restrict which option(s) can be used.)</p> <p>(Note a presentation to November 2021 research meeting included suggested new text on legacies and an offer to assist with the drafting.)</p>

Topic (date reviewed)	Tentative conclusions reached	Implications for the text
	<p>received. Receipt is normally probable when ...) was highlighted by one Committee Member as creating ambiguity. The Committee Member suggested removal of “normally” would create greater clarity.</p> <ul style="list-style-type: none"> A Committee Member highlighted that some charities would account for legacies on a case-by-case basis while some (likely to be larger charities) will take a pipeline approach. Any additional guidance will need to take account of both methods. <p>Referring to the three issues highlighted in Paper 2, the Chair noted that:</p> <ul style="list-style-type: none"> the size of a legacy in the context of the charity is more important than the size of the charity itself, there is support for additional guidance in the SORP, for example flowcharts to support decision-making, there is some ambiguity created in the SORP that could helpfully be removed with tighter drafting, and additional disclosure and/or commentary in the Trustees’ Annual Report may better allow a charity to help users of the annual report and accounts in understanding the income received from legacies. However, balance is needed to avoid creating an unwieldy annual report. This matter can be reflected on again at drafting stage when it is possible to think about the Trustees’ Annual Report in totality. The matter of contentious legacies can be returned to at drafting stage 	<p>Revisit the disclosure of legacies as a specific item in financial review section of module 1.</p> <p>Consider whether SORP needs extra text to address contentious legacies (in the context of recognition and provisions and contingent liabilities).</p>
<p>Donated goods and services (28 September 2021)</p>	<p>The Chair closed the discussion of treatment of donated goods and services for resale by concluding that the SORP Committee supports recognition on resale for items below a threshold value, while requiring recognition on receipt for items above this value.</p> <p>Parallels could be drawn to volunteer time. A Committee Member reflected on the substance of goods donated for onward distribution, noting that the goods are not a valuable resource to the charity. Rather, the charity acts as a conduit for the donated goods. The Committee Member agreed that goods donated for onward distribution should be discussed in the Trustees’ Annual Report rather than valued and recorded as income in the SoFA.</p> <p>The Chair commented that the description of charities as ‘conduits’ of goods donated for onward distribution was helpful. The description helps to clarify the substance of the transactions. The charities would not look acquire such goods for distribution; rather the charities are seeking donations of goods themselves. In this way, the substance differs between charities and for-profit entities in receipt of donated goods. It was thought reasonable that this value could already be nil in situations where the charity would not</p>	<p>Selective changes, subject to adherence to FRS102.</p> <p>(Note second submission to FRC looked to change in specific contexts - the accounting for gifted goods for onward supply and gifted services for a charity’s own use.)</p>

Topic (date reviewed)	Tentative conclusions reached	Implications for the text
	<p>otherwise buy the services/facilities and it could be clearly demonstrated that this was the case.</p> <p>Rather, it was agreed that additional clarity within the SORP on application would address the issues discussed. This would be revisited at drafting stage. Concluded that the SORP should remain unchanged with respect to donated fixed assets.</p> <p>The engagement strands did provide feedback in support of disclosing information about the number of volunteers in an organisation. The SORP Committee agreed with this feedback.</p> <p>The engagement strand feedback included several requests for additional examples and information sheets to help charities better apply the SORP requirements for donated goods and services.</p>	
Income recognition (22 October 2021)	<p>There was consensus that the principles in the SORP are already sound and there is no need for major changes to the SORP.</p> <p>Committee Members identified the need for additional guidance, commenting as follows:</p> <ul style="list-style-type: none"> • It was indicated that additional guidance on grant funding would be useful. • Better guidance would be useful for charities in Ireland, where there are issues with funders as a result of language used in grants. • Guidance would be helpful for transactions where there is payment by results. For example, a charity that supports people into employment may receive additional funding if people are still employed after an agreed time has passed. Guidance would help to clarify how income from payment by results schemes should be recognised. • Examples would support charities when recognising pledges and claims for gift aid. The SORP could indicate when entitlement criteria would be met and include examples to illustrate this. There was support for the possibility of additional guidance for pledges. <p>The Chair expressed sympathy where late notification arises such that the funds cannot be realistically spent and so consideration could be given to looking again at the approach to budget years set out in the SORP (paragraph 5.22). Additionally, discounting and materiality had been discussed. The Secretariat noted a number of examples of particulars had been provided, for example on membership income and theatre tax relief.</p> <p>The issue of profits from trading subsidiaries – not easy to define what a legal obligation looks like in a distribution. It may be possible to identify emerging practice, ensuring that this cannot be construed as legal advice. This could be a helpful way to provide guidance on distributions. Provide more guidance to cover income</p>	n/a

Topic (date reviewed)	Tentative conclusions reached	Implications for the text
	recognition and when it is appropriate for income recognition to be deferred. Consider bringing discounting of contract income more explicitly in line with the rest of the SORP.	