

Meeting Notes¹

Board Charities SORP Committee

Date 11 November 2021

Time 13:30 – 16:30

Venue Microsoft Teams

Joint Chair	Laura Anderson Nigel Davies Rossa Keown	<i>Office of the Scottish Charity Regulator (OSCR)</i> <i>Charity Commission for England and Wales (CCEW)</i> <i>Charity Commission for Northern Ireland (CCNI)</i>
Committee Members present	Michael Brougham Daniel Chan Tony Clarke Diarmaid Ó Corrbuí Tim Hencher Noel Hyndman Joanna Pittman Carol Rudge* Max Rutherford Jenny Simpson	<i>Independent Examiner</i> <i>PwC</i> <i>Clarke & Co Accountants</i> <i>Carmichael Centre for Voluntary Groups</i> <i>Scottish Council for Voluntary Organisations</i> <i>Queen's University Belfast</i> <i>Sayer Vincent</i> <i>HW Fisher</i> <i>Association of Charitable Foundations</i> <i>Wylie and Bisset LLP</i>

¹ This meeting was not formally minuted. Notes of key points from SORP Committee discussions were recorded. Notes were not taken during presentations.

	Neal Trup	<i>Neal Howard Limited</i>
Presenters	Simon Bostrom	<i>West Yorkshire Community Accounting Service (WYCAS)</i>
	Martin Cichocki	<i>Education & Skills Funding Agency</i>
	Alice Maltin	<i>PwC</i>
	David Massey	<i>Education & Skills Funding Agency</i>
	Isla McCulloch	<i>Co-operatives UK</i>
	Gareth Morgan	<i>The Kubernesis Partnership LLP</i>
	James Stebbings	<i>The Institute of Legacy Management</i>
	Louise Thomson	<i>The Chartered Governance Institute</i>
	Amie Woods	<i>Charity Commission for England and Wales (CCEW)</i>
	James Wright	<i>Co-operatives UK</i>
In attendance	Alison Bonathan	<i>CIPFA, Secretariat to the SORP Committee</i>
	Gillian McKay	<i>CIPFA, Secretariat to the SORP Committee</i>
	Sarah Sheen	<i>CIPFA, Secretariat to the SORP Committee</i>
Observers	Jelena Griscenko	<i>The Charities Regulator in Ireland</i>
	Stephen Maloney	<i>Financial Reporting Council (FRC)</i>
	Claire Morrison	<i>Office of the Scottish Charity Regulator (OSCR)</i>
Apologies	Caron Bradshaw	<i>Charity Finance Group</i>
	Tom Connaughton	<i>The Rehab Group</i>
	Gareth Hughes	<i>Diocese of Down and Connor</i>

- 1. Welcome, apologies for absences and declarations of interest Action**
- 1.1 The Chair welcomed all SORP Committee members and presenters to the meeting. The attendees listed above were present for some or all of the meeting. Apologies have been recorded for SORP Committee Members only. Apologies were not recorded for researchers who were invited to the meeting, but who did not attend.
- 1.2 **Declarations of interest**

- 1.3 Two standing declarations of interest are noted:

Daniel Chan sits on the CIPFA Charities and Public Benefit Entities Board.

Sarah Sheen has worked substantially for CIPFA on the IFR4NPO project and is secretariat to the CIPFA Charities and Public Benefit Entities Faculty Board.

No other declarations of interest were made.

2. Presentation: PwC Building Public Trust Awards 2021

Presented by Dan Chan and Alice Maltin

2.1 Usage of presentation materials

- 2.2 As advised prior to the meeting, the PwC BPTA presentation slides are intended for SORP Committee use only and are not for circulation outside of the Committee or for publication without the prior written consent of the presenters. Consequently, the presentation will not be published on the SORP site. PwC have advised that the paper *Building Public Trust Awards 2021 – Reporting in Charities* as sent to SORP Committee members prior to the meeting may be published.

2.3 Questions on PwC’s presentation

- 2.4 Due to the availability of presenters, the Chair invited comments and questions on PwC’s presentation earlier than advised on the agenda.

A SORP Committee Member commented that PwC’s focus on compliance with the Governance Code was a positive aspect of the Building Public Trust Awards, and was perhaps something the SORP Committee could reflect on further.

A SORP Committee Member commented that a focus on climate action is common at the moment, and noted that more would be expected in this respect from charities with an environmental remit. The Committee Member questioned whether it is the role of the SORP to include society-wide issues such as the climate. PwC responded that their awards have a broader remit than the SORP and do consider societal impact. Further, charities covered by the Companies Act 2006 must comply with regulatory requirements that cover matters such as the climate.

The Chair brought the discussions to a close by thanking the presenters.

3. Presentation: Small charities and SORP

Presented by Simon Bostrom and Professor Gareth Morgan

4. Presentation: Comparison of E&W and Scottish frameworks for smaller charities

Presented by Amie Woods

5. Committee discussion: small charities and framework research items

- 5.1 A Committee Member reflected on what changes could be made to the SORP based on the research that had been presented. The Committee Member suggested that more could be done to publicise receipts and payments, both by the SORP Committee and, perhaps more so, by the regulators. The Committee Member noted the need for more concise, simpler guidance for smaller charities, but added that

requests for simplified guidance were often not specific with respect to what could be simplified. The researcher from CCEW responded that research indicates more could be done to promote the use of natural classifications. Further, consideration could be given to expanding the tiered reporting requirements for use of natural classifications.

A Committee Member noted that there is sometimes a mis-match within charity accounts in that the SoFA could appear to follow activity-based reporting, but the analysis in the disclosure notes may not match.

The Chair noted the SORP Committee should reflect on how requirements can be expressed in a way that charities can understand and engage with.

A Committee Member commented that there may be a perception gap in terms of who produces a charity's accounts, i.e. whether this is the charity itself or an external accountant. The Committee Member noted that accountants are undertaking most of the accounts preparation work. There is therefore a question on how the accounting profession can better support the charity. Another Committee expressed a view that the SORP Committee needs to consider who understands the language used in the SORP and who engages with it. The SORP is a technical document that, by its nature, uses specialist language.

A researcher noted there is a likelihood that accounting software could limit adoption of receipts and payments or natural classifications. Research has found that charity treasurers who use receipts and payments can engage with documentation such as templates provided by regulators, but that specialist knowledge is required for accruals-based accounting.

A researcher noted the potential paradox created by requests for simplification of the SORP together with requests for greater guidance. There is a risk that additional guidance could lead to an increased amount of specialist language, potentially adding complexity rather than simplicity. A Committee Member noted that greater publicity of receipts and payments could be part of the solution. The researcher from CCEW noted that CCEW is working to promote receipts and payments. A Committee Member suggested that this activity should extend to Charitable Incorporated Organisations, as some may not know receipts and payments can be used.

On the question of whether additional material explaining terminology could be published to accompany the SORP, a Committee Member expressed a view that this would be a step too far, as the remit of the SORP does not extend to providing this level of training.

The Chair brought the discussions to a close by thanking the presenters.

6. Presentation: Reflections on SORP and the academies sector

Presented by Martin Cichocki and David Massey

7. Presentation: Trustees' views on the SORP

Presented by Louise Thomson

8. Committee discussion of academy reflections and trustee perspectives

8.1 A Committee Member expressed the view that work is needed outside the SORP to supplement the content of the SORP. Content within the SORP is constrained by the

fact the SORP is a technical document. While the SORP could be made more accessible, this cannot be achieved by use of language that lacks accuracy. Another Committee Member agreed and commented that the SORP would be unwieldy if it was effectively written as an accounting guide. However, the Committee Member noted that as feedback on the complexity and accessibility of the SORP is recurring, the SORP Committee should reflect on what can be done.

The Secretariat commented on a point from the paper on the SORP and the academies sector in which the researchers suggested they would be against tiered reporting. The researchers responded that they could see the benefits of tiered reporting, but that their preference would be for uniform reporting across the academies sector for consolidation purposes and to avoid unintended disincentives, for example, when considering mergers. Referring back to presentations on smaller charities, another researcher noted that making things simpler for smaller charities does imply a tiered approach to reporting. Beneficiaries were noted as the biggest user group of the accounts of smaller charities, therefore SORP accounts need to be understandable to them.

The Chair noted the diversity of the academies sector would be relevant. A Committee Member suggested that it would be likely that even very small academies would be big compared to a small charity, therefore tiered reporting may not affect them. A researcher noted that the academies sector is increasing in size. There is an increasing number of academy trusts, and one trust could contain 20 or 30 schools suggesting academy trusts are bigger than small charities. However, there may be outliers that are small and it would be helpful if this could be accommodated by the SORP.

In response to the research on trustees' views of the SORP, a Committee Member asked whether the reporting burden has dissuaded people from becoming trustees. The researcher responded that this was not something directly addressed in the research, however experience suggests this is a possibility, especially during the pandemic. Another researcher noted that different research has identified treasurers leaving their posts due to the reporting requirements, and this was happening more frequently in the past. More recently, evidence suggests that charities in the £100k-£250k range were more likely to adopt receipts and payments, shifting away from the SORP when FRS102 was introduced.

The Chair brought the discussions to a close by thanking the presenters.

9. Presentation: Legacies – perspective on accounting challenges

Presented by James Stebbings

- 9.1 During the presentation, the researcher noted that slide 11 should make reference to paragraph 5.35 of the SORP as a preferred starting point for the section of the SORP on legacies.

10. Committee discussion of legacy matters

- 10.1 A Committee Member suggested it would be useful to share ideas with an expert such as a member of the Institute of Legacy Management at drafting stage. The Chair agreed this would be a good idea.

A Committee Member noted that research has historically shown inconsistent treatment of legacies between charities. The researcher responded that there may be a view from accountants that legacies should be recognised later than was suggested in the research presentation.

The Secretariat noted a need for caution with consistency, as care needs to be taken to ensure a transaction or event is not consistently reported incorrectly. It was noted that in the IASB Conceptual Framework, consistency sits below comparability. The researcher responded that there is a benefit of a uniform approach, acknowledging that this may not be easy to achieve in practice.

The Chair brought discussions to a close and thanked the presenter.

11. Information Sheet – ‘Accounting for share capital in Charitable Community Benefit Societies’

Presented by James Wright and Isla McCulloch

12. Committee discussion of Information Sheet

12.1 A Committee Member noted a similarity to credit unions in Ireland. A presenter responded that credit unions in the UK are a subset of co-operative societies. However, credit unions are covered by the Financial Services and Markets Act 2000. Charitable community benefit societies are not as regulated, hence the presenters’ interest in promoting best practice in the sector.

A Committee Member noted that it is unusual for an information sheet to be produced for a sector of this size. The Chair noted that there is not much content in the SORP on the treatment of equity. The information sheet is expected to be of use in prompting more charities identifying similar issues.

A Committee Member noted that as a charitable community benefit society is permitted to prepare receipts and payments accounts, this needs to be clear in the information sheet. Another Committee Member suggested that accruals accounts are required and that the audit threshold is lower, at £250k.

The Chair outlined the next steps for this information sheet. Committee Members were asked to send any further reflections to the Chair by email by 30 November 2021. Reflections would then be reviewed before the draft information sheet is sent to the FRC.

Committee
Members

The Chair brought the discussions to a close by thanking the presenters.

13. Any other business

13.1 A Committee Member referred back to research mentioned earlier in the meeting, undertaken in a partnership with ACF, Scottish Grantmakers and Philanthropy Ireland: “Survey of Charitable Funders’ Views of Accounts prepared under the Charities SORP”. The Committee Member asked if this research could be published under the Funders and Donors Engagement Strand. The research is available here: <https://acf.org.uk/ACF/ACF/Research---resources/Resources%20content/strategy-and-governance-resources/Survey-of-Charitable-Funders--Views-of--Accounts-prepared-under-Charities-SORP.aspx>

- 13.2 The Chair reminded Committee Members that the topic of sustainability will now be covered during the second January meeting. A guest from the Department for Business, Energy and Industrial Strategy will join this meeting.
- At the first January meeting, the SORP Committee will discuss early thoughts on the drafting process and decide what to put on the agenda for the February meeting with Engagement Strand Convenors.
- 13.3 The Chair noted that CCEW have been working with CIPFA to think about digitalisation and the SORP.
- 13.4 Minutes from the October meeting of the Charities SORP Committee will be agreed whether by email or during the SORP Committee meeting on 1 December 2021.
- 13.5 The Chair thanked all Committee Members and presenters for their contributions and closed the meeting.