



# *SORP updates and the ongoing developments of the Charities SORP*

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CHARITY COMMISSION  
FOR ENGLAND AND WALES

# SORP updates and the ongoing developments of the Charities SORP

Nigel Davies, Joint Chair, Charities SORP  
Committee

November 2020



## Overview:

- The approach to developing the next SORP
- The timeline to developing the next SORP
- SORP resources to assist practitioners
- Conclude with advice on reporting on the impact of the COVID pandemic
- Handover to Joanna Pittman, Partner, Sayer Vincent and SORP Committee member for a practitioner's perspective

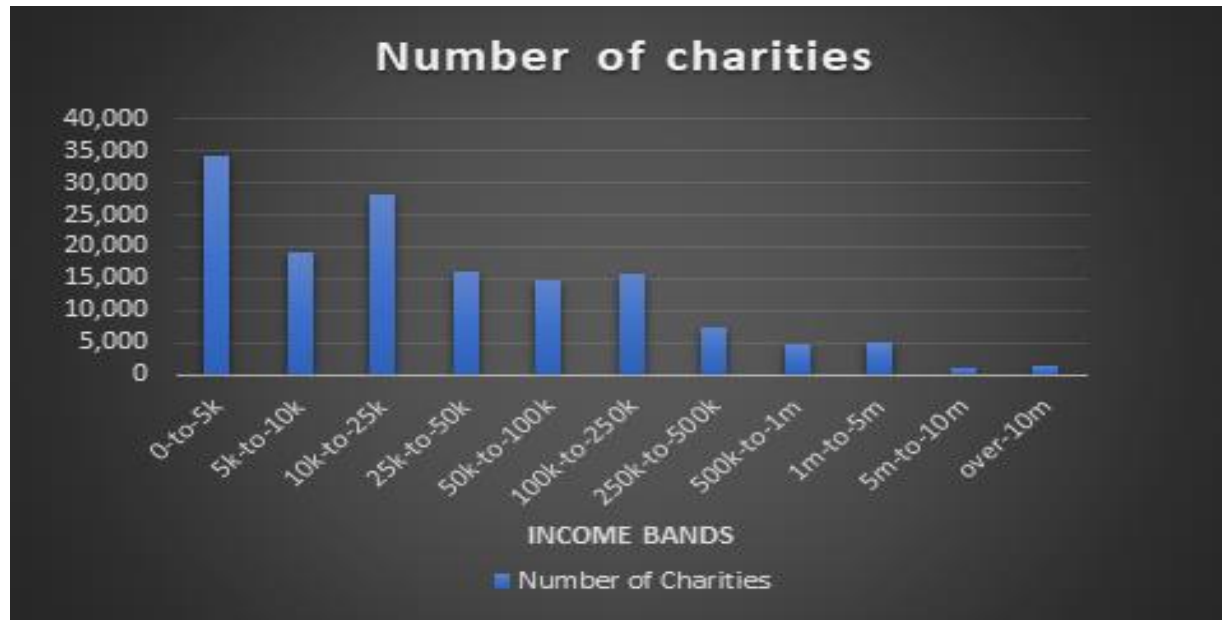


## Context:

- The SORP is an application of FRS 102 and so is overseen by, and approved by, the FRC
- Majority of charities that use the SORP are ‘smaller charities’ in SORP terms- income under £500,000
- Charity law is a devolved matter so SORP most cover three UK charity law jurisdictions and the republic of Ireland
- SORP has to cover both breadth of income but the different character of charity operations
- Timing of new SORPs has been synchronised with major changes in UK-Irish GAAP
- SORP governance review made 36 recommendations for changing the SORP process (reported June 2019)

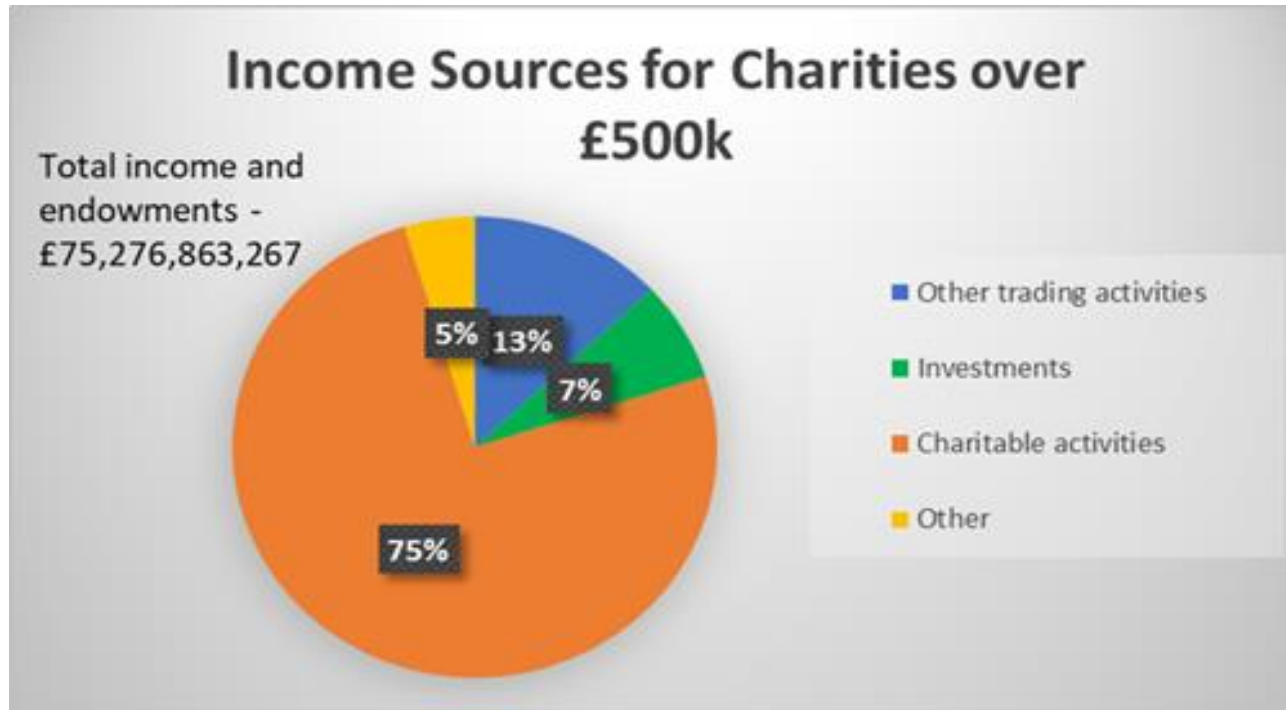


Sector overview- number by income band (Sept 2020):





Sector overview-composition of income (filings to Sept 2020):



# SORP governance review recommendations

## Reporting needs

- The reporting needs of (i) the proxy user for the public and beneficiary interest and (ii) smaller charities require a refocusing of the SORP and greater simplification of reporting requirements for smaller charities with more support for trustees

## SORP Committee

- The SORP Committee be retained but reforms are needed regarding size, composition and clarification of the respective roles of the SORP-making body and SORP Committee.

## Engagement

- Broader and ongoing engagement is needed with a much wider group of stakeholders if the SORP is to continue to be fit for purpose.

## Non-statutory reporting

- The sector and charity regulators should collaborate to identify and codify best practice in non-statutory financial reporting.

## Ensure action

- The SORP-making body, supported by the Financial Reporting Council (FRC) needs to ensure that the redesigned SORP development process takes effect.

## Adequate resources

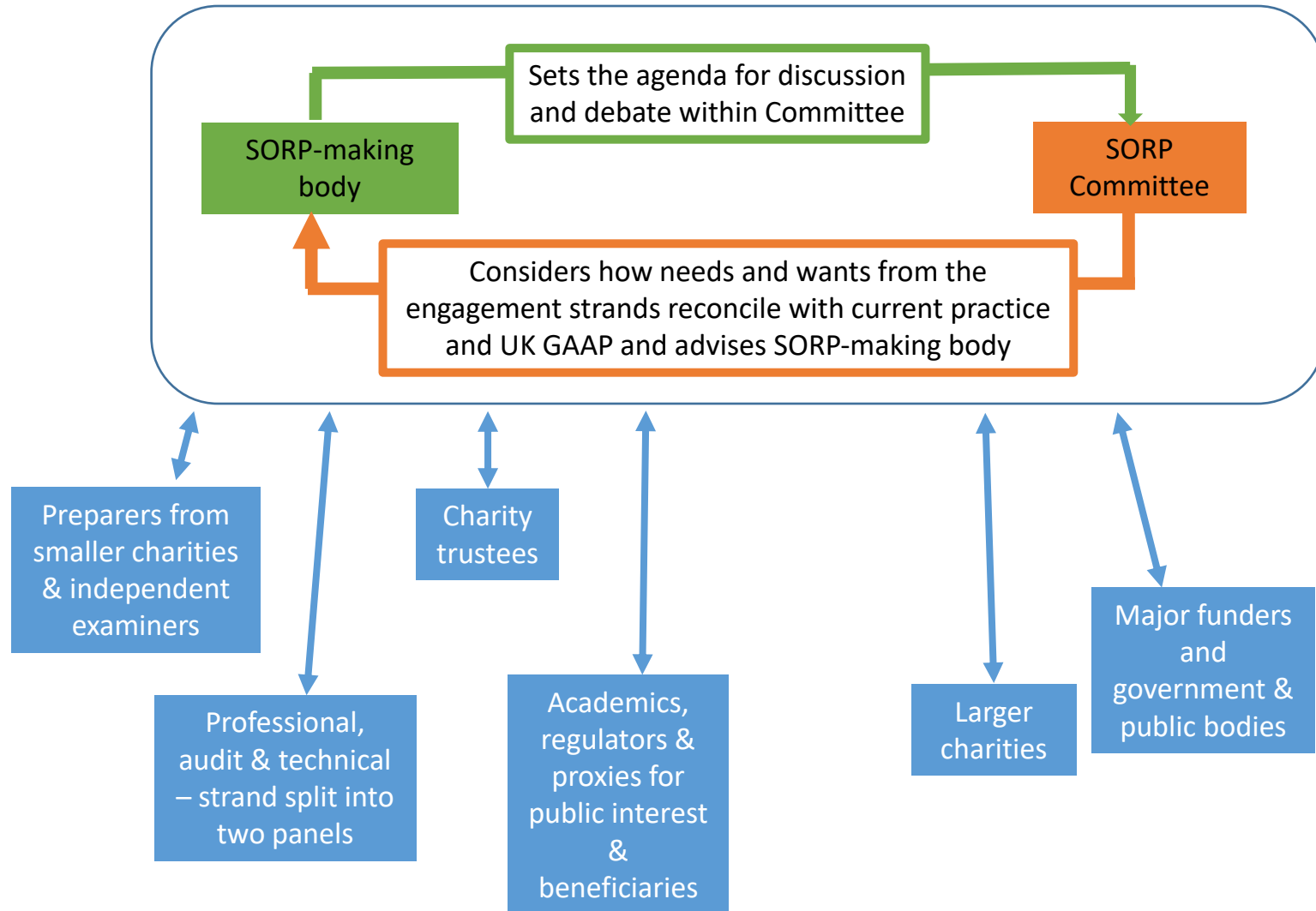
- The charity regulators are asked to ensure that SORP process is adequately resourced to implement these recommendations.



## Looking to the future- the approach to developing the next SORP:

- Implementing the recommendations in a phased
  - Began with recruiting a new SORP Committee (first met March 2020)
  - Also recruited engagement partners with new engagement process launched (July 2020)
- New engagement process to broaden the dialogue and feed ideas into advisory SORP Committee
- SORP Committee deliberates and advises on changes to the SORP
- New SORP drafted and put out to consultation
- Post consultation review – changes made and FRC approval sought







## Timeline to the next SORP:

- Timeline is tentative and contingent on FRC plans for GAAP with effect reporting years beginning on or after 1 January 2024
- Tentative timeline to be ready:
  - Trustee capabilities and conduct
- A new process so will need to show flexibility and pragmatism but hoping note to launch late



## Timeline to the next SORP (1):

- Process Stage Approximate time Completed by earliest timing (latest timing) Exploration 3 to 6 months October 2020 (January 2021)
- Reflection (input to FRC Spring 2021 review) 3 to 6 months April 2021 (July 2021)
- Problem solving 3 to 6 months July 2021 (January 2022)
- Drafting (Based on exposure draft FRS 102 with final FRS 102 published early in 2023) 6 to 12 months January 2022 (January 2023)
- FRC review and public consultation 6 months July 2022 (July 2023)



## Timeline to the next SORP (2):

- Final edit and FRC approval (Subject to FRS 102 published in final form and faithfully reflected in the SORP text) 3 to 6 months October 2022 (January 2024)
- Effective date (allowing 3 month lead in) - Ideally publish no later than October 2023
- Reporting for years beginning 1 January 2024



## Dedicated SORP site: [www.charitycorp.org](https://www.charitycorp.org)

The screenshot shows a web browser window with the URL <https://charitycorp.org/>. The browser tabs include 'Home page' and 'Charities SORP'. The website's navigation menu includes: Home, Download a full SORP, Customise your SORP, Choose SORP modules, and About us.

### Charities SORP

Application guidance for charity accounting

#### New information sheet on carbon reporting

The new information sheet 5 considers the requirement for very large UK charitable companies to report on certain environmental issues in the Directors' report.

[The advice can be viewed on the Helpsheets page](#)

#### SORP-making body governance tracker

The SORP-making body is pleased to publish the SORP review recommendations tracker that shows how far we have come in implementing the recommendations of the SORP governance review. We plan to update it throughout the process of developing the next SORP.

[View the SORP Committee page](#)

#### Customise your SORP

Take your chosen SORP to reflect your charity's structure and activities.

#### Choose SORP modules

Find, save and print SORP modules or the Update Bulletin as individual PDF files.

#### Download a full SORP

View, download or print a SORP as a single bookmarked PDF file or buy a printed copy.

To see if a SORP applies to your charity, answer the following question:

Does your charity prepare accounts on an accrual basis?

[Yes](#) [No](#)

Helpsheets | Engage | SORP Committee | Example trustees annual reports | SORP Archive | COVID-19 | Data privacy



## Resources to assist practitioners:

- Second edition to download: <https://www.charitycorp.org/>
- Revised model examples: <https://www.charitycorp.org/about-the-corp/example-trustees-annual-reports/>
- Information Sheets: <https://www.charitycorp.org/about-the-corp/helpsheets/>
- Archive: <https://www.charitycorp.org/corp-archive/>



## COVID-19 related advice:

- Dedicated resource page: <https://www.charitycorp.org/about-the-corp/covid-19/>
- SORP-making body advice on the impact of Covid-19:
  - How it is affecting the trustees' annual report (up to 10 aspects to consider)
  - True and fair
  - Post balance sheet events
  - Going concern and alternate basis of preparation
  - Dialogue with auditors
- Revised examples to come
- Signposting accounting solutions including ICAEW advice



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Joanna Pittman

18 November 2020

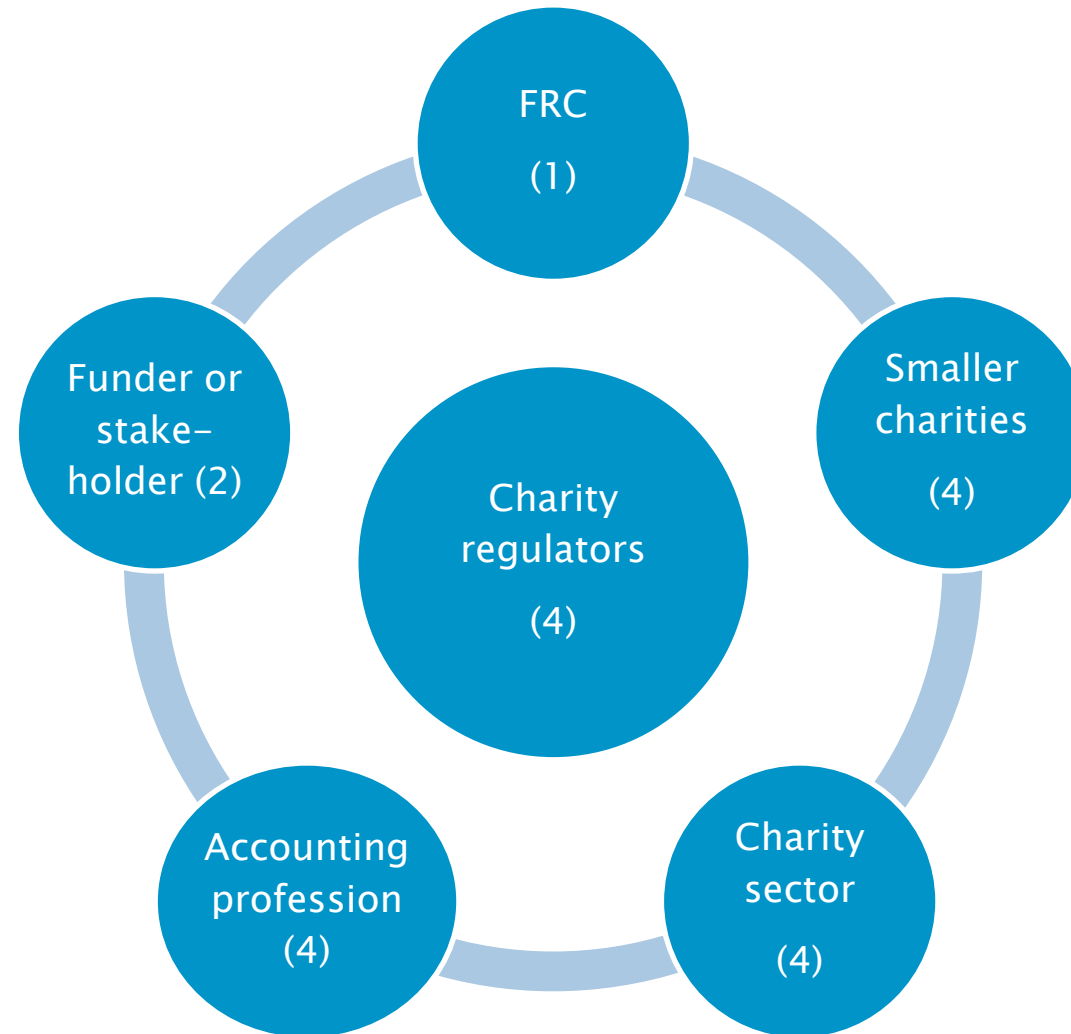




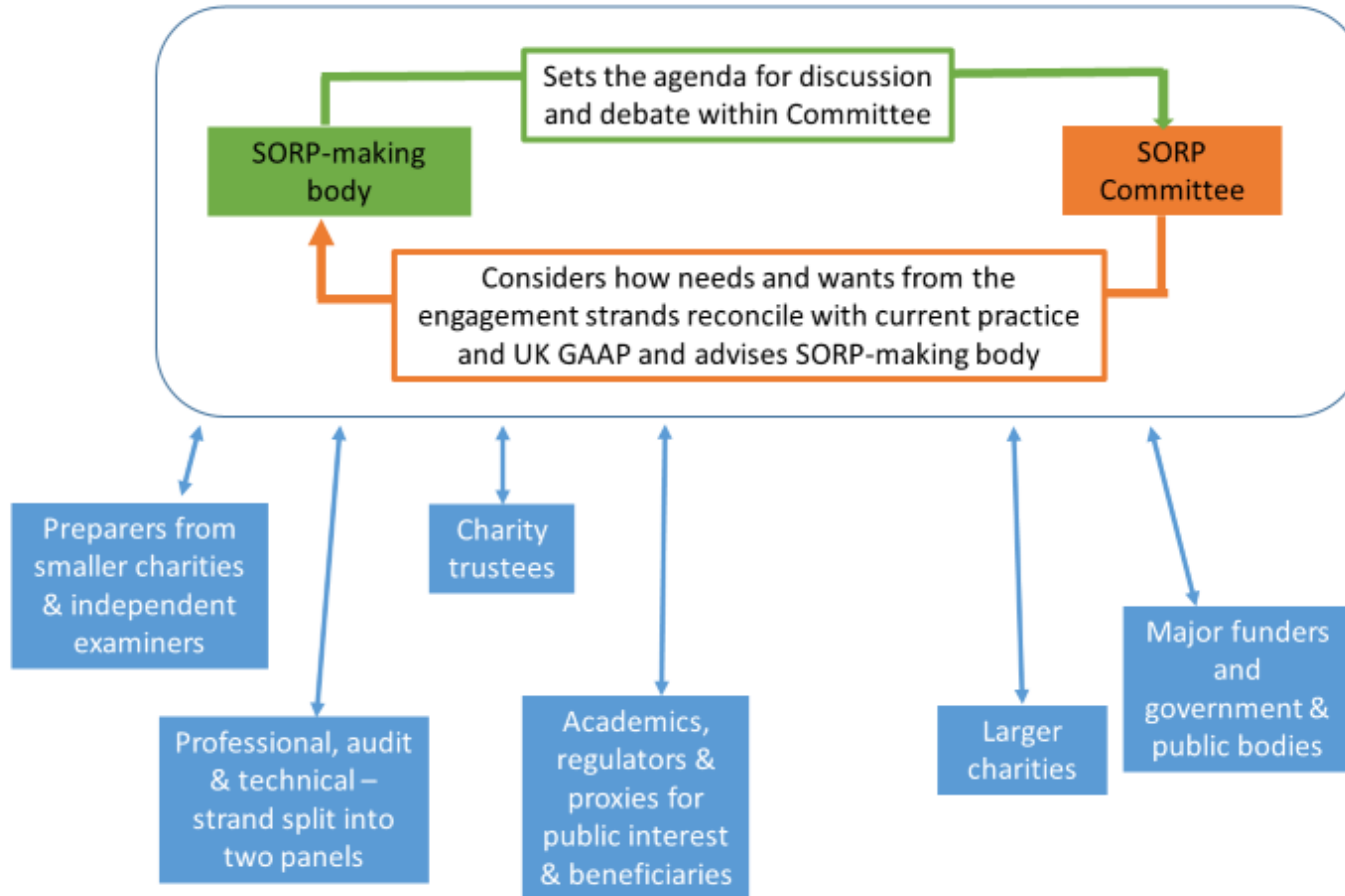
## Joining the SORP committee

*“If not me, who?  
If not now, when?”*

# A new SORP committee



# A new SORP engagement process





## SORP committee so far

- Suggestion of COVID guidance (March)
- Developing the new SORP development process
  - Establishing the engagement strands
  - Role of convenors
  - Induction for engagement partners
- Information sheets 5 and 6
- Timeline for SORP development
- Considering research and ideas



# Insights and research so far

## Charity regulators

- On-line use of charity accounts and register
- Thematic reviews of charity accounts
- Options for sustainability reporting
- Public polling information

## Committee member research

- Smaller charity research project
- Academic paper on how accounting change is legitimated
- Building Public Trust awards
- Use of SORP in Ireland



# Common areas of focus

Overall structure  
and presentation  
of the SORP

The trustees'  
annual report

The presentation  
of the financial  
statements

Specific  
accounting  
issues



# SORP resources and information

## SORP

- Required to show a true and fair view

## Update bulletins

- Amend the SORP
- Required to show true and fair view

## Information sheets

- Suggest solutions
- Advisory
- No obligation to follow

## Helpsheets

- Further information to explain changes

## Advice on COVID impact

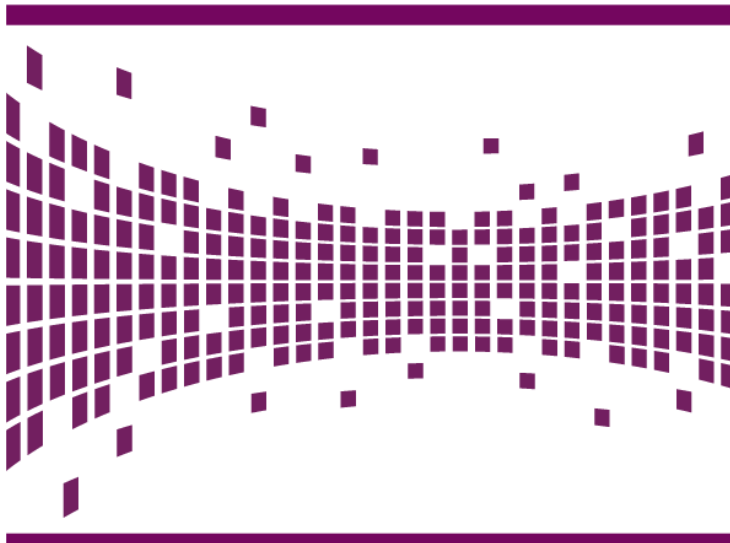
- Advisory
- To assist preparers, auditors and examiners

# SORP guidance on impact of COVID19

CHARITIES SORP COMMITTEE

Implications of COVID-19  
control measures and charity  
financial reporting

23 March 2020



- Does not amend SORP
- Advisory in nature
- To assist preparers on reporting
- Plus things to consider
- Published March 2020

<https://www.charitycorp.org/about-the-sorp/covid-19/>





## Key messages

- Explain impact in trustees' report
  - Activities, fundraising, risks, uncertainties
- Consider post balance sheet events
  - Adjusting (e.g. impairment of debtors or stock)
  - Unadjusting (e.g. material fall in investments)
- Assess going concern
- Consider timetable for scrutiny and filing



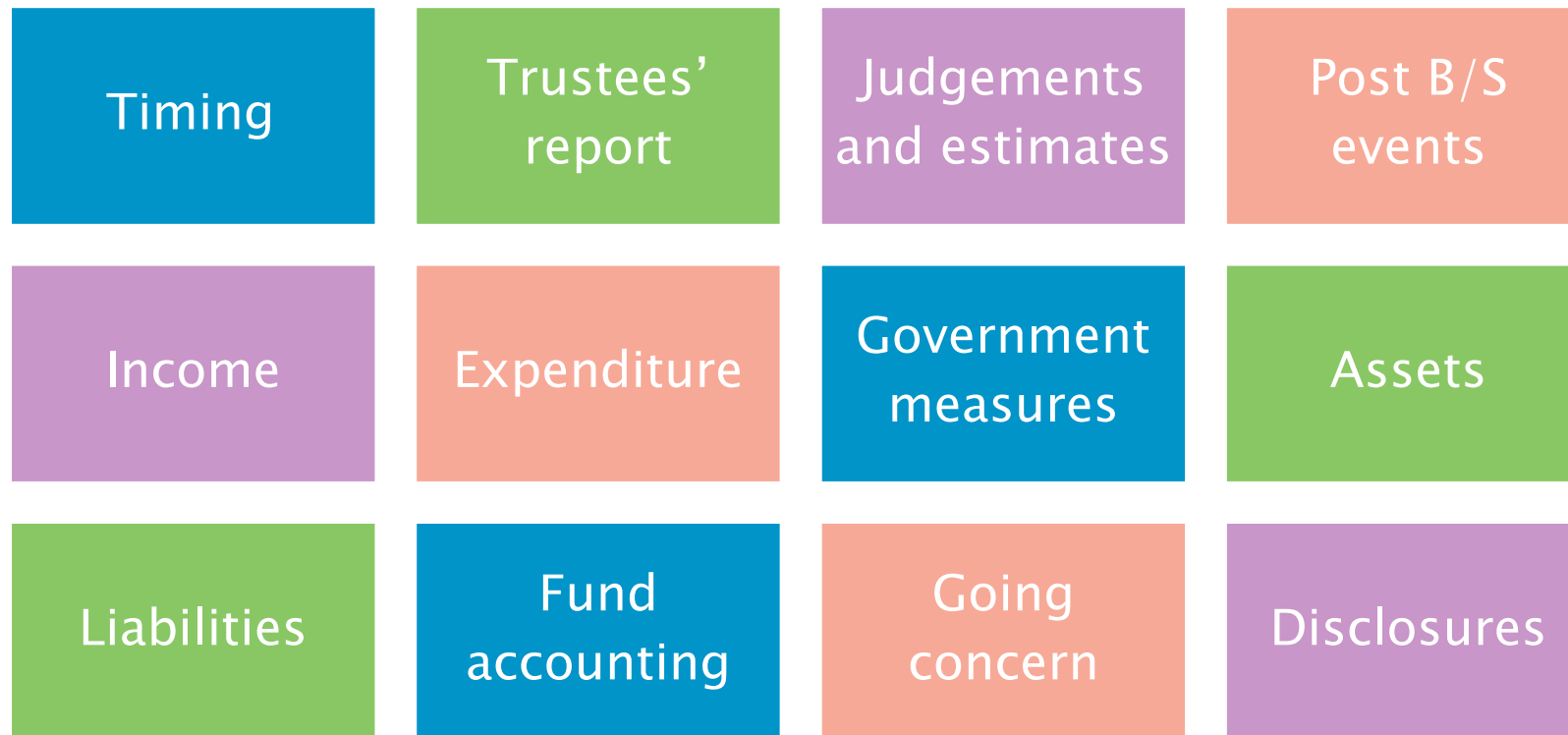
# SORP developments

- New example accounts for 2<sup>nd</sup> edition
  - Arts Theatre Trust
  - Rosanna Grant Trust
- Examples to illustrate impact of COVID-19 pandemic are in preparation

<https://www.charitySORP.org/about-the-sorp/example-trustees-annual-reports/>



# ICAEW COVID-19 implications for charity accounting



<https://www.icaew.com/technical/charity-finance-professional-community/coronavirus/covid-19-implications-for-charity-accounting>

# *If you have further questions, please visit:*

- Virtual Charity Conference: 21 & 22 January 2021  
<https://www.icaew.com/learning-and-development/events/charity-conference-2021>
- ICAEW Global recovery: [www.icaew.com/insights/covid-19-global-recovery](http://www.icaew.com/insights/covid-19-global-recovery)
- ICAEW Coronavirus Hub: [www.icaew.com/coronavirus](http://www.icaew.com/coronavirus)
- Direct enquiries: [www.icaew.com/contact-us/helplines-and-support](http://www.icaew.com/contact-us/helplines-and-support)
- Feedback / Insights: <https://r1.dotmailer-surveys.com/bb41f58a-124mcd1d>
- CABA: [www.caba.org.uk](http://www.caba.org.uk)



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