

CFG Annual Conference – Charities SORPs 2015

Nigel Davies and Ray Jones
Accountancy Policy Team

CHARITY
COMMISSION



SORPs 2015 in brief

- Recap on SORP development
- Consultation - your voice mattered
- Why 2 SORPs?
- Trustees' Annual Report
- FRS 102 SORP in brief
- FRSSE SORP in brief
- Future of the FRSSE
- Timeline to launch

SORP development

- Process initiated in 2006
- SORP research 2008-09 set the scene – ‘think small first’ and simplify SoFA headings
- SORP 2005 retained until ASB/FRC settled future of UK GAAP
- ASB: FRSME and FRSPBE
- FRC: FRS 102 based on IFRS for SMEs
- New GAAP applies for accounting periods beginning on or after 1 January 2015

The consultation – your voice mattered

CHARITY
COMMISSION

- Of the 179 responses – 69 from charity FDs/ finance staff and 32 from trustees/ treasurers
- Your input key re:
 - Format of SORP
 - Contents of trustees' annual report
 - Points of debate (performance reporting, SoFA, salary disclosures, & branches)
- Responses, analysis and minutes published on SORP micro-site in March 2014

Why 2 SORPs?

- A separate FRS 102 SORP and a separate FRSSE SORP
- Trustees need to make the choice
- Why 2 SORPs? Because:
 - EU accounting Directive (mandatory from 2016) changes small company reporting and FRSSE
 - A new FRSSE framework likely in 2015-16
 - 2 SORPs avoids disruption to FRS 102 users
 - 2 SORPs simplifies the text of each
 - Some criticised the combined approach

Trustees' Annual Report

- Common format – whether FRSSE or FRS 102
- Distinguishes requirements of all charities from those of 'larger' charities (subject to statutory audit*)
- Terms used are 'must' 'should' and 'may'
- Main changes to content requirements are:
 - All trustees must be listed
 - Must disclose if no reserves policy with reasons
 - Risk disclosure modelled on Strategic Report*
 - Remuneration policy for senior staff*
 - Advice on Strategic Report added (medium/ large Cos)

FRS 102 SORP in brief (1)



- Terms used are ‘must’ ‘should’ and ‘may’
- Identifies where SORP requires more than FRS 102
- Modular approach (hand-out 1):
 - 14 core modules – incl’ Cash-flow (module 14)
 - 15 modules followed where applicable
- New look SoFA (hand-out 2) with comparatives
- Based on FRS 102 (more disclosure)
- Income recognition (module 5)
- Legacies (module 5)
- Donated goods and services (module 6)

FRS 102 SORP in brief (2)

- Expenditure (module 7) incl' hol' pay accrual
- Greater disclosure re related parties and pay bands (module 9)
- Financial instruments (module 11)
- Companies (module 15)
- Grant-making (module 16) incl' a web option re grant disclosure
- Total Return (module 20)/ Social Investments (module 21)
- Group and combinations (module 23) and Subsidiaries (module 26)

FRSSE SORP overview

- Must meet 2 of 3 criteria (99% of sector does)
- Main advantages
 - Requires fewer disclosures than FRS 102 and no Cash-flow
 - Some FRSSE options now available in SORP eg stocks & tangible fixed assets
 - Simpler approach to financial instruments
 - SoFA similar to SORP 2005 (hand-out 3) but add comparatives
- Main disadvantages
 - More complex as it blends new and old GAAP
 - Changes again in 12 months time meaning new accounting policies and possibly FRS 102 SORP style SoFA

FRSSE SORP in brief (1)



- Terms used are ‘must’ ‘should’ and ‘may’
- Identifies where SORP requires more than FRSSE
- Modular approach (hand-out 1):
 - 14 core modules – Cash-flow (module 14) optional
 - 15 modules followed where applicable
- FRSSE SORP identifies (hand-out 4)
 - FRSSE requirements and permitted FRSSE options
 - Must follow ‘current practice’ for PBE / charity specific issues
 - An option to retain existing policies (‘accepted practice’) for other transactions
 - Otherwise should have regard to current practice (FRS 102)

FRSSE SORP in brief (2)

- Different terminology often leads to same result as FRS 102 e.g Income recognition – entitlement, measurement and likelihood of receipt - FRSSE ‘sufficient certainty’ and FRS 102 ‘probable’
- Different approach to SoFA re exceptional items (no extraordinary items)

Future of FRSSE

- FRSSE thresholds to increase
- EU Accounting Directive – reshapes small company reporting
- Not-for-profits scoped out but FRSSE will change
- FRSSE 2015 will be replaced within one year
- Future ‘FRSSE’ might be as a special section of FRS 102 with fewer disclosures required

Time-line to launch

- FRC approval required (4 step process)
- Web launch of SORPs and Help-sheets end of June (earliest)
- Hard copy versions (autumn)
- SORP micro-site retained
- Refinement of E-SORPs subject to resources
- Examples and other assistance subject to resources

SORP micro-site

- Dedicated site: www.charitycorp.org
- Site kept updated
- Micro-site is the location for:
 - the free SORPs when published
 - the 'E-SORPs' when developed
 - Help-sheets
 - Listing of autumn events
 - Future SORP Committee arrangements