

Dear Matthew

My comments are made personally, based on more than 40 years as a trustee of several medium-sized national charities, focused mainly on their business management, trading, fundraising and governance aspects. For a decade before I retired I was the fundraising director for an umbrella group of 400 local charities. My professional background was as a management consultant FCIMC. I am an independent member of HMRC's Charity Tax Forum, and a Fellow of the Institute of Fundraising. I am not a qualified accountant or lawyer, but have analysed hundreds of charity accounts over the last 2 or 3 decades. So my comments on SORP come mainly as an active analyst of charity R&As, using them to improve charities' efficiency and effectiveness, rather than as someone who has had to construct them.

Q1. I think the content of the SORP is generally fine, but lengthy and difficult to search for non-professionals.

Q2. There is a clear need for a "summary version" module for smaller charities -- one document with all the key points and links to greater detail in the main modules. Preferably as a single webpage, and also available as a printable pdf.

Q3. I was involved in the user-testing that the CCEW undertook when they developed this structure and terminology over a decade ago. It has worked well since, and been adopted by other regulators.

Q6. As the CC has recently pointed out, 70% of the income (and I guess nearly 90% of the assets) of the charity sector are held by about 2,000 charities with over £5m gross income. It is this group that has caused most of the bad headlines in the media in recent years. So it seems logical that these organisations should have the highest accountability and transparency requirements.

Q7. Whilst the charities in this group are generally fairly complex, they are also the best resourced to provide greater levels of accountability. Later I suggest some areas where I think greater transparency is needed, and this group should be required to comply. At a later version of the SORP/FRS102 (say during the 2020s decade) some of this extra reporting might be extended to medium or even smaller charities if it was shown to be useful in building public trust in the sector and maintaining donor generosity.

Q8. I agree with the general thrust of the SORP Committee's recommendations. On public benefit I would like to see better reporting on the impact that the charity has made to beneficiaries. Should the charity's strategic objective(s) be spelled out? As well as reporting on annual targets and what progress has been made, should there be a longer-term perspective, over the last 5 or 10 years? For larger organisations, as a user I would value at least 5 year's history of a number of key indicators. Some of these should be mandatory (eg beneficiaries helped, gross income, charitable spend, capital employed, FTE staff and their pay) whilst other KPIs could be chosen by the charity.

Q9. I agree with both suggestions.

Q13. In the last SORP consultation I suggested that the analytical categories used in the Income and Expenditure Notes should be aligned, so that the cost of say generating legacies could be deducted from their income to provide a "net legacy contribution". Similarly for voluntary donations, trading, contracts, grants, investments. Some large charities (eg CRUK) already provide greater detail about their main fundraising methods.

It is the total of these net contributions which is available to spend on charitable activities and governance, and is the figure I advise trustees to focus on when managing the finances, rather than the gross income. Different income generation methods yield very different net contributions. Rising gross income totals may mask falling net contributions.

In both my charity and commercial experience deliberately cutting the least efficient gross income streams can result in higher and more sustainable net contributions to charitable operations.

It is noticeable that many recent bad media headlines about charities have been about poor fundraising practices, an area where the regulators have little power, and where the R&A is usually the only source of information. The current reporting standards need to be tightened and made more consistent across the sector. Only then will analysts be able to highlight fundraising best practice, and charities given an incentive to clean up poor practices.

Q14. I would like to see in the Notes all public sector grants and contracts itemised that contribute more than say 1% to gross income. I would also like to see how much tax relief is claimed (eg Gift Aid, Council tax). And for larger charities, an *estimate* (say to within +/- 5%) of how much irrecoverable VAT has been paid (I realise that even large charities may not routinely analyse the VAT in their payments, so such data would have to be an estimate in the Notes).

At the moment there is no other way to access such information, which would be of great usefulness within the charity sector.

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