

To whom it may concern

I am writing to respond to the research exercise on charities SORP (FRS 102).

I believe that it is important for the charities SORP making-bodies to take into account the views of charity sector report preparers. I know that having an effective reporting framework is in the interests of not only the public, but the charity sector itself.

So I would urge the charities SORP-making bodies to listen to organisations such as the Charity Finance Group, which have undertaken an extensive consultation with finance professionals via roundtables and an online survey.

In particular, I would urge the SORP-making bodies to re-consider the plans for 'Key Facts Summaries'.

We would generally advise against the universal disclosure of fundraising ratios or the ratio of charitable expenditure to income on the face of charities' financial statements. Charities can be very diverse in their objectives and purposes; seeking to make an impact in a vast array of sectors and thus attracting different kinds of voluntary income support and having very different spending profiles.

Charities also use a variety of fundraising approaches and one charity's fundraising costs may legitimately be very different to another's. Headline ratios would therefore not provide a measure that could accurately be used to compare charity performance.

We would also point out that charities need to invest in fundraising, sometimes many years in advance of this investment realising income (for example legacy promotion and donor cultivation); this can lead to a significant dip in reported fundraising ratios compared to another charity which could cause misunderstanding. We feel that there is a danger that charities will take short-sighted resourcing decisions in order to maintain a particular fundraising ratio when this may not be in their best long-term interests.

Similarly trying to compare charities' ratios of charitable expenditure to income would be unhelpful as charities may need to increase or decrease expenditure in a particular planning cycle for a variety of reasons – not least due to the need to adhere to their reserves policies.

For endowed charities the effect of employing a total return investment policy can also mean that the net expenditure presented in the SoFA can be misleading. Comparing one charity to another using measures such as the ratio of expenditure to income would not be meaningful in cases where one charity's income is heavily endowment dependent.

The National Trust is committed to transparency and openness in terms of its charitable spending and fundraising costs and would prefer that the assessment of a charity's overall effectiveness is considered 'in the round' using the full range of disclosures required under the existing SORP and importantly the narrative available in the Board of Trustees Report and Financial Review.

Thank you for considering my response to the research exercise.

Kind regards

James Bennett

James Bennett

Head of Financial Accounting



National Trust, Heelis, Kemble Drive
Swindon, Wiltshire, SN2 2NA
01793 817 621

The National Trust is a registered charity no. 205846. Our registered office is Heelis, Kemble Drive, Swindon, Wiltshire SN2 2NA. The views expressed in this email are personal and may not

necessarily reflect those of the National Trust unless explicitly stated otherwise. This email and any files transmitted with it are confidential and intended solely for the use of the individual or entity to whom they are addressed. If you have received this email in error, please notify me immediately. If you are not the intended recipient of this email, you should not copy it for any purpose, or disclose its contents to any other person. Senders and recipients of email should be aware that, under the Data Protection Act 1998, the contents may have to be disclosed. This email has been scanned by the MessageLabs Email Security System. For more information please visit <http://www.messagelabs.com/email>. However the National Trust cannot accept liability for viruses that may be in this email and we recommend that you check all emails with an appropriate virus scanner.

This e-mail has been scanned for all viruses by Star. The service is powered by MessageLabs. For more information on a proactive anti-virus service working around the clock, around the globe, visit: <http://www.star.net.uk>
