

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

Action for Children appreciates that there are many stakeholders looking to ensure charities properly undertake their important work. All charities should ensure their governance and reporting provides robust controls, transparency and consistent information. The SORP framework should support the interests of all stakeholders.

Action for Children supports the arguments of the Charity Finance Group, primarily recognising the interests of reporting charities. In particular, I would urge the SORP making-bodies to:

1. Reject the proposal for a Key Facts Summary

Experience of trying to use a common measure across charities to compare performance has manifestly failed. The proportion of spend on charitable activities is one example. There is no rationale for why this summary would improve understanding of charities, and I do not believe that there is financial information which would universally demonstrate the effectiveness of a charity. It is only likely to encourage readers not to engage with the full annual report and accounts.

2. Reject the proposal for material donors and funders to be declared

I am concerned that this will impact of the donor's right to privacy and could lead to fewer charities receiving charitable donations. I also do not believe that listing funders, such as local authorities, would improve the public's understanding of the effectiveness of a charity.

3. Abolish the separate accounting of support costs

These add a burden on charities and do not add any value for the reader of the accounts. Support costs are necessary for all operations and separating out support costs feeds an incorrect impression that support costs are a 'bad' piece of expenditure. The SORP making-bodies need to take action. Not all charities have the same methods for describing direct and support costs, and so comparison across charities is not a good indicator.

5. Reject calls for charities to break down their spending by jurisdictions

This will not add value as most charities that work overseas will already be explaining their operations through the narrative reporting. This will add significant bureaucracy, however, and further lengthen the SORP.

Thank you for considering my response to the research exercise.

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