

Please note the following responses are made by me as an individual and do not necessarily represent those of my employer. My employer should not be recorded with these responses if they are published.

Q.1 Do you agree that the new format of the SORP meets the needs of all those preparing accounts using the SORP, including smaller charities? If not, what improvements should be made and why?

The current structure makes it hard for larger charities to understand what disclosures are required. For example, in order to comply with the disclosures around objectives and activities paragraphs 1.17 – 1.19 and paragraphs 1.35 - 1.39 must be followed. It would be useful to have two SORP documents so, for larger charities all related disclosures could be together.

Q.4 Given the requirements for financial reporting that are now explained in FRS 102, is the retention of a SORP still necessary for the charity sector? Please give reasons for your answer.

In my opinion the SORP is needed to allow charities to present accounts that are true and fair. Without the SORP, charities would need to depart from FRS 102 significantly in order to present a true and fair view and without a unifying SORP this would be done inconsistently throughout the sector.

Q.6 Do you agree that there needs to be a third tier of reporting by only the largest charities and if so at what level of income should that reporting requirement apply?

A third tier is not required especially considering the small number of charities that this would affect.

Q.8 Do you agree with one or more of the four suggested areas for review of the trustees' annual report recommended by the SORP Committee? If so, which ones do you support and if you do not support any of these suggestions, please give your reasons as to why not?

More guidance to help preparers tell their story would be useful.

I do not agree that the insufficient detail in Trustees Annual reports is a key area of concern.

I do not agree that a key information summary would be useful. This should be outside the scope of the SORP. It should be at the discretion of the charity as to whether such a summary would be useful to the readers of its accounts. If the trustees annual report does not draw out the key facts or is too long to allow easy identification of key facts then this, rather than adding another section, ought to be addressed.

The reserves position is a key aspect of understanding charity accounts. While any further guidance would be useful the SORP is very clear in what is required from larger charities.

Q.9 Do you agree with either of the two suggested areas for the review of the accounts recommended by the SORP Committee? If so, which ones do you support and if you do not support any of these suggestions, please give your reasons as to why not?

The current requirement to include a note showing how support costs have been allocated may not be ideal but it is likely funders and other will continue to request this information. Inclusion in the SORP provides a sensible, consistent approach to showing this information.

The issue set out concerning revenue and capital expenditure is a very real issue in understanding accounts for funders, trustees and others. The suggested solutions of using additional columns on the SOFA or designated funds are not suitable solutions. Matching through deferring the income is the appropriate solution but it is understood this would not be compatible with "for profit" standards or acceptable to FRC.

Q.10 Do you agree with one or more of the six themes for review of the SORP suggested by the charity regulators? If so, which themes do you support, or if you do not support any of these suggested themes, please give your reasons as to why not?

The improvement of disclosures around risk in the current SORP is welcome but is sufficient. Any further disclosures should be at the discretion of the charity. Similarly going concern is adequately dealt with currently.

Expenditure in the main seems adequately covered already. However the sector should not shy away from being a world leader in executive pay disclosures.

Any disclosure of who funds a charity should be higher than material. For example it may be valuable to know that a funder provides over 50% of the income. However the level of materiality would not necessarily indicate significant influence and would therefore not be meaningful.

A key fact section is unnecessary. The trustees report should highlight the key information. A ratio of charitable expenditure as a proportion of total income is a very poor measure to add and would inevitably lead to very misleading comparisons. Consider two charities. One receives an annual donation of £10,000 from a corporate donor. The second runs a charity shop staffed by volunteers. The shop has sales of £30,000

and rent and other costs of £20,000. The first shop may have a ratio of around 100%. The second would be around 33%. Inclusion of this ratio at a very prominent position would inevitably lead to the conclusion by some that the first charity was in some way "better" when this may not be the case. It is not sufficient to suggest that this risk could be avoided through an explanation of the ratio in the accounts since the proposal is the ratio would be included in a key facts area designed to be read in isolation to the main report.

Regards

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Upcoming Events

Donate to our shops	01633 867138
Forget Me Not Flowers	Spring/Summer
Pontypool 10K - Pontypool Park	26 Feb 2017
Admiral City of Newport Half Marathon	5 Mar 2017
Whitehead Tour de Gwent Cycle	9 Apr 2017
Glow Relay Run - Tredegar Park	20 May 2017
Kolor Dash - Tredegar Park	21 May 2017
Dalmatian Bike Ride	10 Jun 2017
Dragons Charity Ride	16/17 Jun 2017
3 Peaks of Wales	24 Jun 2017
Abseil	7 Oct 2017

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