



Coffee break



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qcm



Technical Update

CHARITIES SORP (FRS 102)

(second edition - October 2019)

Accounting and Reporting by Charities:
Statement of Recommended Practice
applicable to charities preparing their
accounts in accordance with the Financial
Reporting Standard applicable in the UK
and Republic of Ireland

(FRS 102)

(effective 1 January 2019)



CHARITY COMMISSION
FOR ENGLAND AND WALES



Charities SORP

New SORP being drafted

3 month consultation anticipated in early 2025

Publication expected Autumn 2025

Effective date 1 January 2026



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Charities SORP

Adopt FRS102 Periodic Review

Topics under consideration:

- Smaller charities
- Four tier reporting
- Transparency, sustainability and impact reporting
- Grant accounting
- Income recognition
- Accounting for donated goods and services
- Charity reserves

FRS102 Periodic Review



Five year Periodic review

Updated Standard published September 2024

Scope: Applies to all "UK GAAP" accounts

[Track changes with amendments](#)



FRS102 Periodic Review



Effective financial periods starting on/after 1 Jan 2026

Financial years ending:

- **December : 31/12/2026**
- **March : 31/03/2027**
- **June : 30/06/2027**

BUT! Need to restate comparatives & consider opening position



What's changed ?

Revenue recognition

Legacies

Accounting for leases

Disclosures for small entities

Small company size thresholds



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Revenue

5 step recognition model

Identify contract with customer

Identify performance obligations

Determine transaction price

Allocate price to obligations

Recognise revenue when performance obligation satisfied

Contract asset or liability



TRADING SUBSIDIARY?

SUBSCRIPTIONS?

UP FRONT FEES?

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Revenue

Applies retrospectively and cumulatively

Applies to contracts *not completed* at the date of initial application

Disregard contracts which begin & end in same FY

DOESN'T apply to non-exchange transactions for Public Benefit Entities

Additional disclosures



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Legacies

New section (in Public Benefit Entities section)

Expect equivalent in SORP

Recognised when receipt probable and can be measured reliably

This can be affected by valuations and disputes

Apply s32 PBSE to determine whether the receipt of evidence after the year end date is an “adjusting” event or not

Confirm can apply a portfolio approach



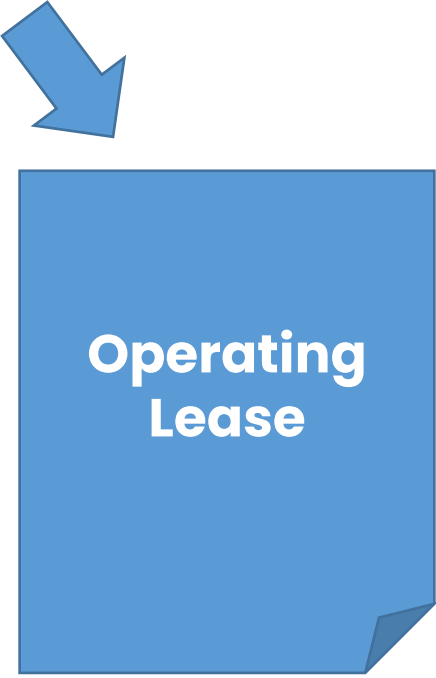
What's changed - Leases

Lease Agreements

Vehicle Finance
Plant & Equipment
Long leasehold property



Recognise asset and full liability



Short leasehold property
Short term equipment rental

Recognise rental as paid

Leases

Recognise **liability** at date of initial application.

= For **all** remaining lease payments

= discounted to present value

Subsequently increase for interest and reduce for payments.

Recognise **right of use asset** at date of initial application.

= Amount equal to the lease liability, adjusted for amounts already prepaid/accrued

= Subsequently at cost less accumulated depreciation (over term of lease)



Leases

Income Statement worked example:

Single lease expense replaced with:

Depreciation on asset

Interest charge

	Finance leases	Operating leases	All leases
Revenue	x	x	x
Operating costs (excluding depreciation and amortisation)	---	Single expense	---
EBFIDA			↑↑
Depreciation and amortisation	Depreciation	---	Depreciation
Operating profit			↑
Finance costs	Interest	---	Interest
Profit before tax			↔

Leases

Balance sheet worked example:

Right of Use Asset within Current Assets

Lease Liability

Related additional disclosure requirements

Assets	
Current Assets	
Cash and Equivalents	6,500,000
Accounts Receivable	1,358,610
Prepaid Expenses	150,000
Other Current Assets	25,000
Total Current Assets	8,033,610
Long Term Assets	
Fixed Assets - Net	1,750,000
Operating ROU Asset	2,046,217
Total Assets	11,829,827
Liabilities & Equity	
Current Liabilities	
Accounts Payable	860,000
Accrued Expenses	450,000
Short-Term Deferred Revenue	2,650,000
Short-Term Lease Liability	233,672
Other Current Liabilities	300,000
Total Current Liabilities	4,493,672
Long Term Liabilities	
Long-Term Deferred Revenue	1,250,000
Long-Term Lease Liability	1,836,155
Deferred Rent	-
Total Long Term Liabilities	3,086,155

Leases

Disclosures

- General description of leasing arrangements
- Additional information where material
- Discount rate
- Interest expense
- Low value asset lease expense
- Total cash outflow for leases
- Short term leases
- Low value leases
- Exemptions taken

Asset note: Reconciliation of additions, carrying value and accumulated depreciation



Leases

Exemptions:

Short term leases

= term of less than 12 months at commencement

“Low value” exemption

= underlying asset is of low value

= benefit from use on its own and not dependent on or related with other assets

NOT cars, vans, plant, land and buildings, production equipment



Leases

Practical Expedients

Choose not to apply to leases ending within 12 months of initial application

Discount lease using “obtainable” borrowing rate

Exemption for PBEs – can use interest rate on deposits held

Apply same discount rate to similar leases

Not required to restate comparatives



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What's changed – Small Entities

“May need” to present a statement of total comprehensive income

“May need” to present statement of changes in equity

Requirement to make an explicit statement of compliance with Standard

Requirement to state that PBE applies

Requirement to include going concern statement and any significant judgments

Additional disclosures provisions and contingencies





In the loop: unleashing the potential of civil society

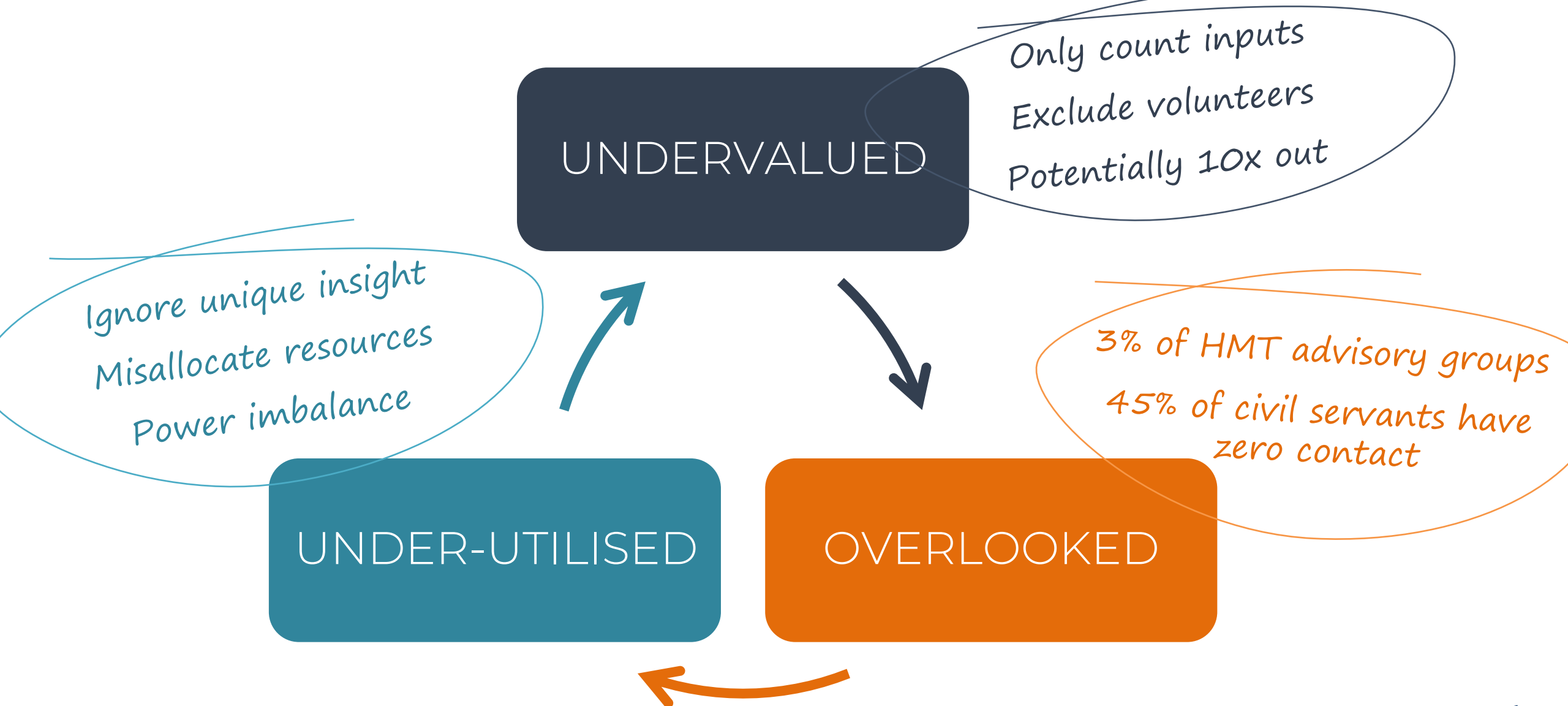
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Matt Whittaker

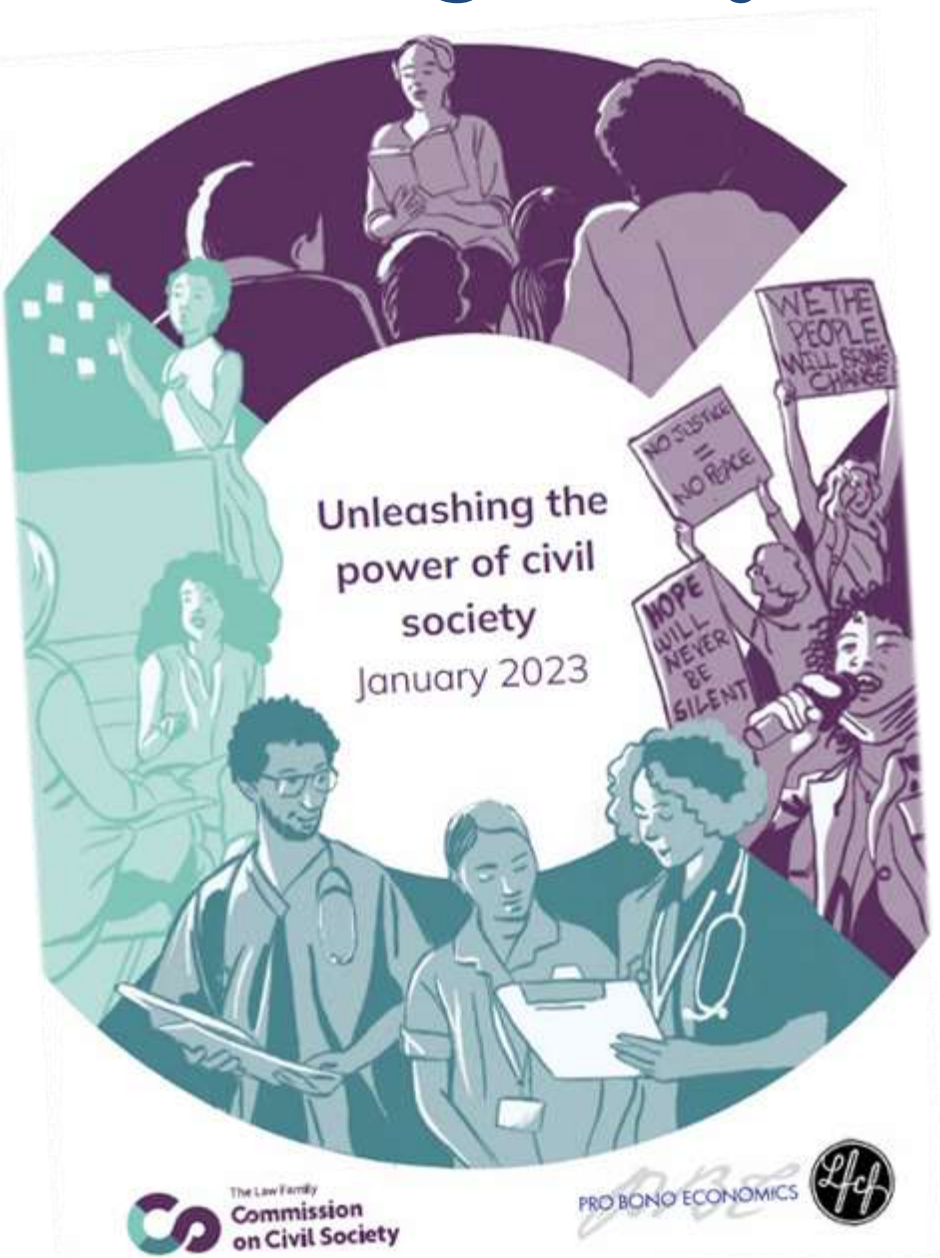
5 December 2024



Civil society is stuck in an unhelpful cycle ^{for all of us}

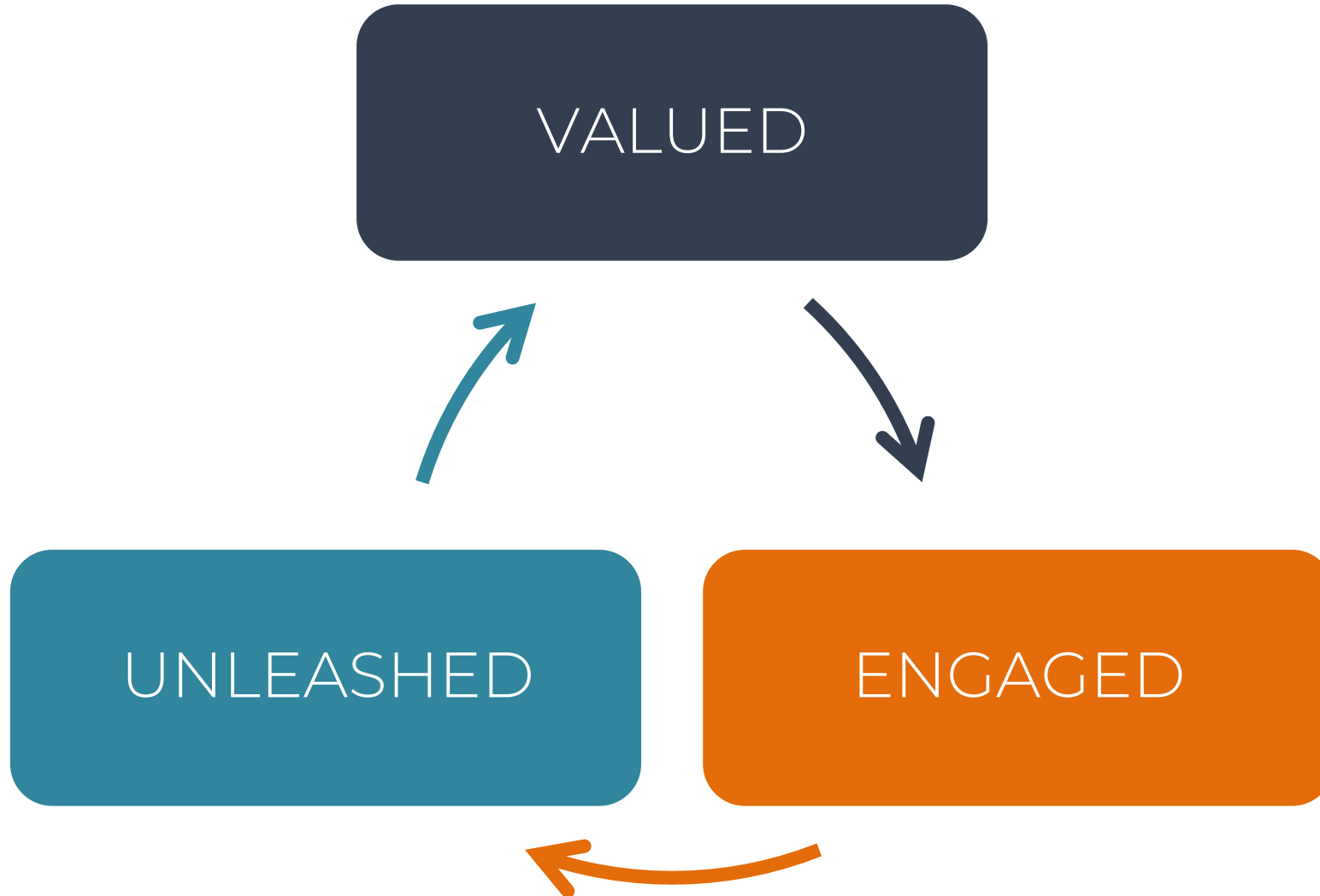


Challenged by the Law Family Commission



- Input from over 900 individuals and organisations across the public, private and social sectors
- 23 reports, alongside 56 essay contributions from experts and practitioners
- 26 final recommendations

In the hope of creating a new, virtuous, loop

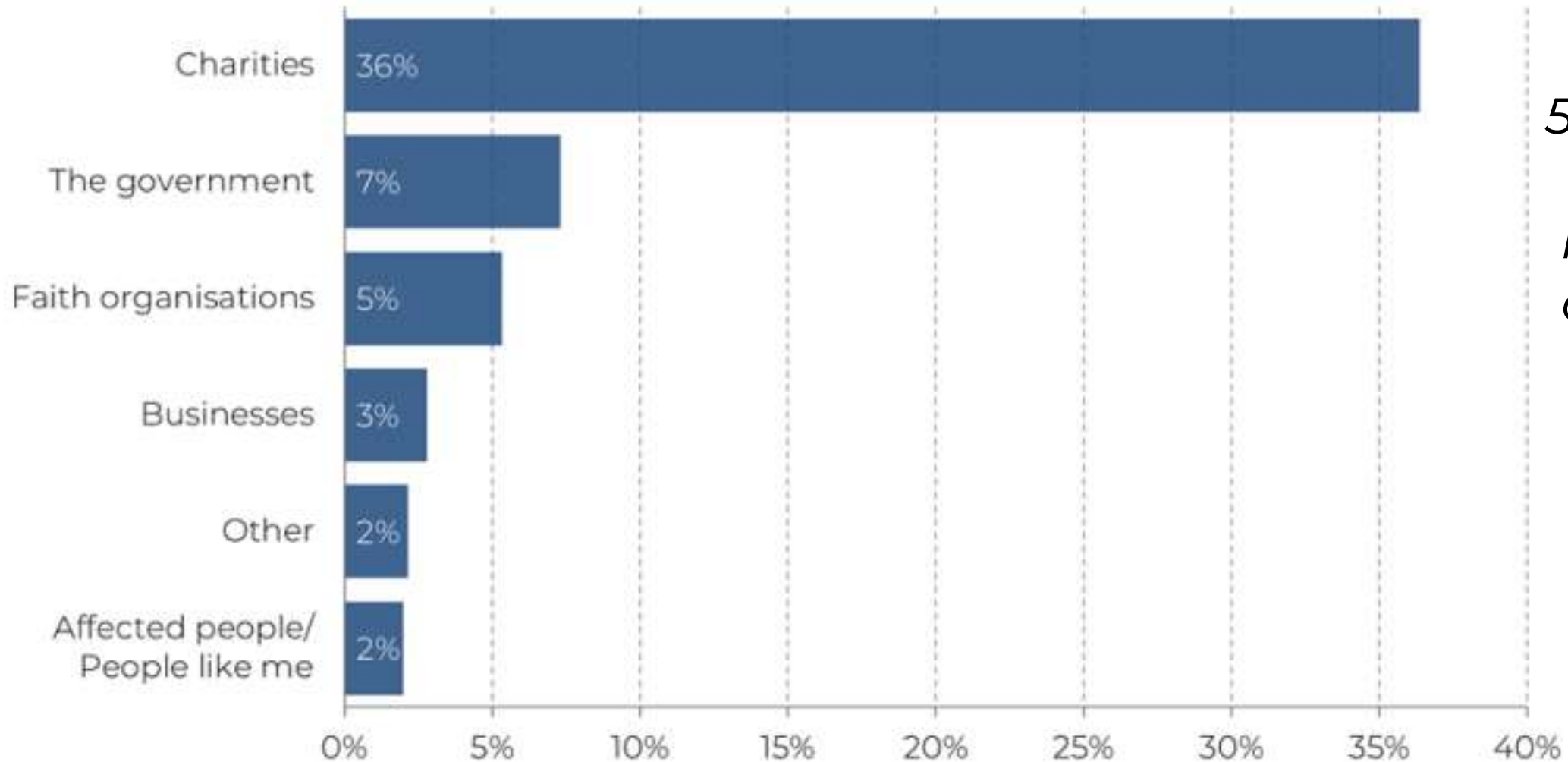


Resetting govt relations was considered central

Creating timely, quality, open <u>DATA</u> about the sector	A properly valued social sector with challenges that are correctly diagnosed and successes that are more visible
Strengthening relationships with <u>POLICYMAKERS</u>	A social sector that is encouraged and trusted to bring its insight to bear to shape policy priorities at all levels of govt
Bringing <u>BUSINESSES</u> and civil society together	Two sectors working in partnership rather than parallel, with a race to the top among firms in pursuit of social good
Improving the scale and distribution of <u>FUNDING</u>	A step-change in giving levels that is amplified by an improvement in the distribution and effectiveness of finance
Building <u>PRODUCTIVITY</u> and organisational effectiveness	A social sector that is supported to innovate, collaborate, learn and generate maximum impact

And an ambition the public agrees with

Which of the following do you think best understands the issues affecting people like you?

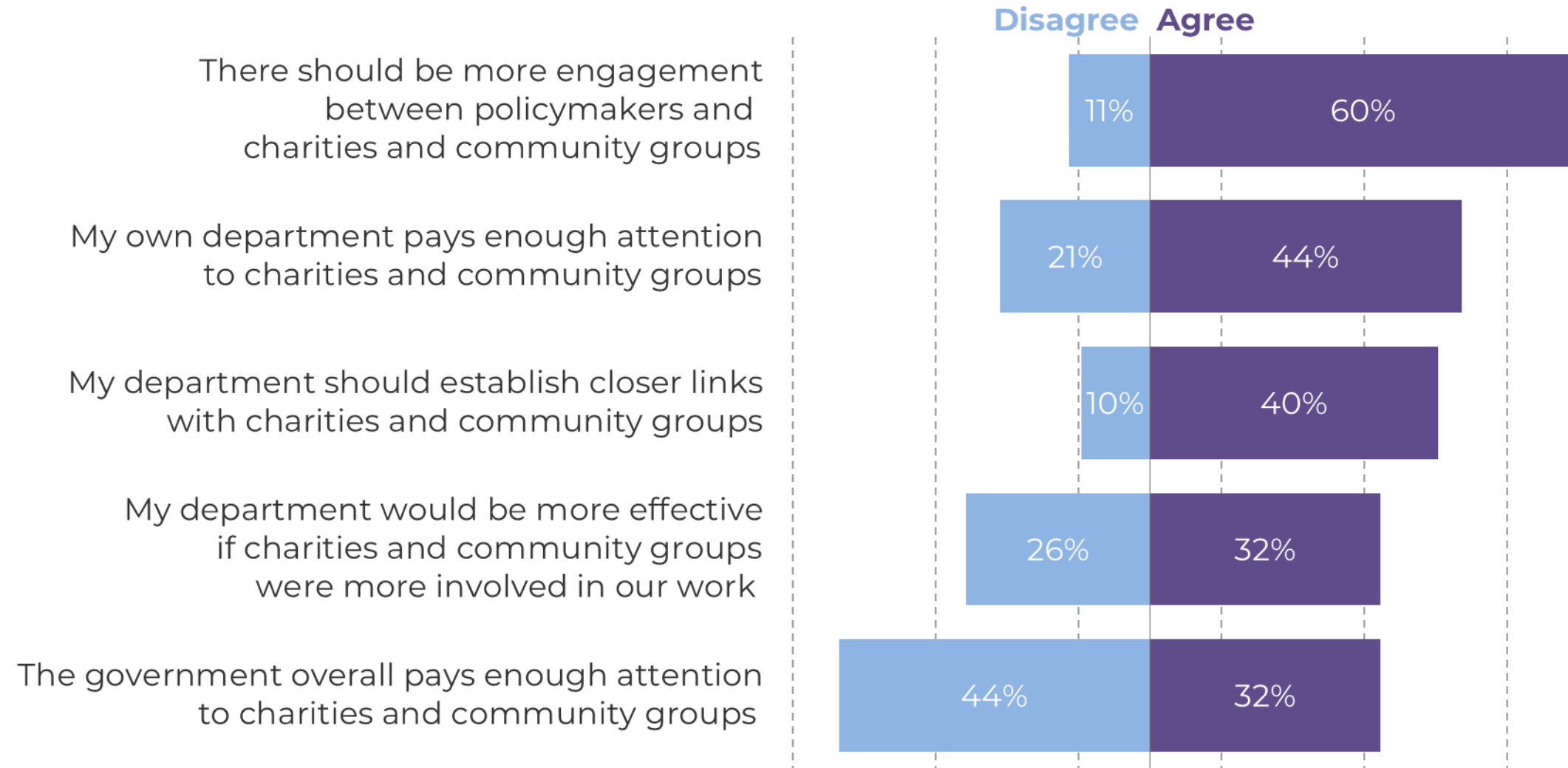


59% think that govt should listen more to charities when thinking about the long-term challenges facing the country (just 5% actively disagree)

Notes: n=1,088, UK. Responses not shown: 'Other' = 2%; 'None of these' = 24%; 'Don't know' = 20%. Source: PBE analysis of YouGov polling undertaken on behalf of Charities Aid Foundation, December 2023.

Civil servants too...

Do you agree or disagree with the following statements? *Civil servants*



Notes: n = 62, residuals are 'Neither agree nor disagree' and 'Don't know'. Source: Polling conducted by YouGov PLC on behalf of the Law Family Commission on Civil Society, 6 July – 27 July 2021

And politicians...

“Civil society... binds government, businesses and communities together, and you reach into the places that public and private sectors cannot... for too long, your voice has been ignored between the shouts of the market and the state... Now we need a new vision for a new era... A Society of Service.”

“The relationship between government and civil society needs a reset. Because you should feel that you can speak up on behalf of the people you serve without fear, call out injustice where you see it, and continue to push us all to be and do better.”



And politicians...

“Imagine if we could turn our attention from firefighting every day to the long-term renewal this country needs. That’s our pledge to you: that... we will work with you on our mission for a decade of national renewal.”

“We want to harness civil society as one of the three key engines for renewal, working alongside the public and private sectors... a partnership between government and civil society.”

“This isn’t just an invitation. It’s an ask.”



Prompting the 'covenant'

“To fix the foundations of our country we need a fundamental reset of the relationship between government and civil society.”

“That is why we’re building a new partnership with the sector to tackle the complex social and economic challenges we face as a country.”

“By harnessing the dynamism, innovation and trusted reach of civil society organisations, we can boost growth and deliver better outcomes for communities right across the country.”

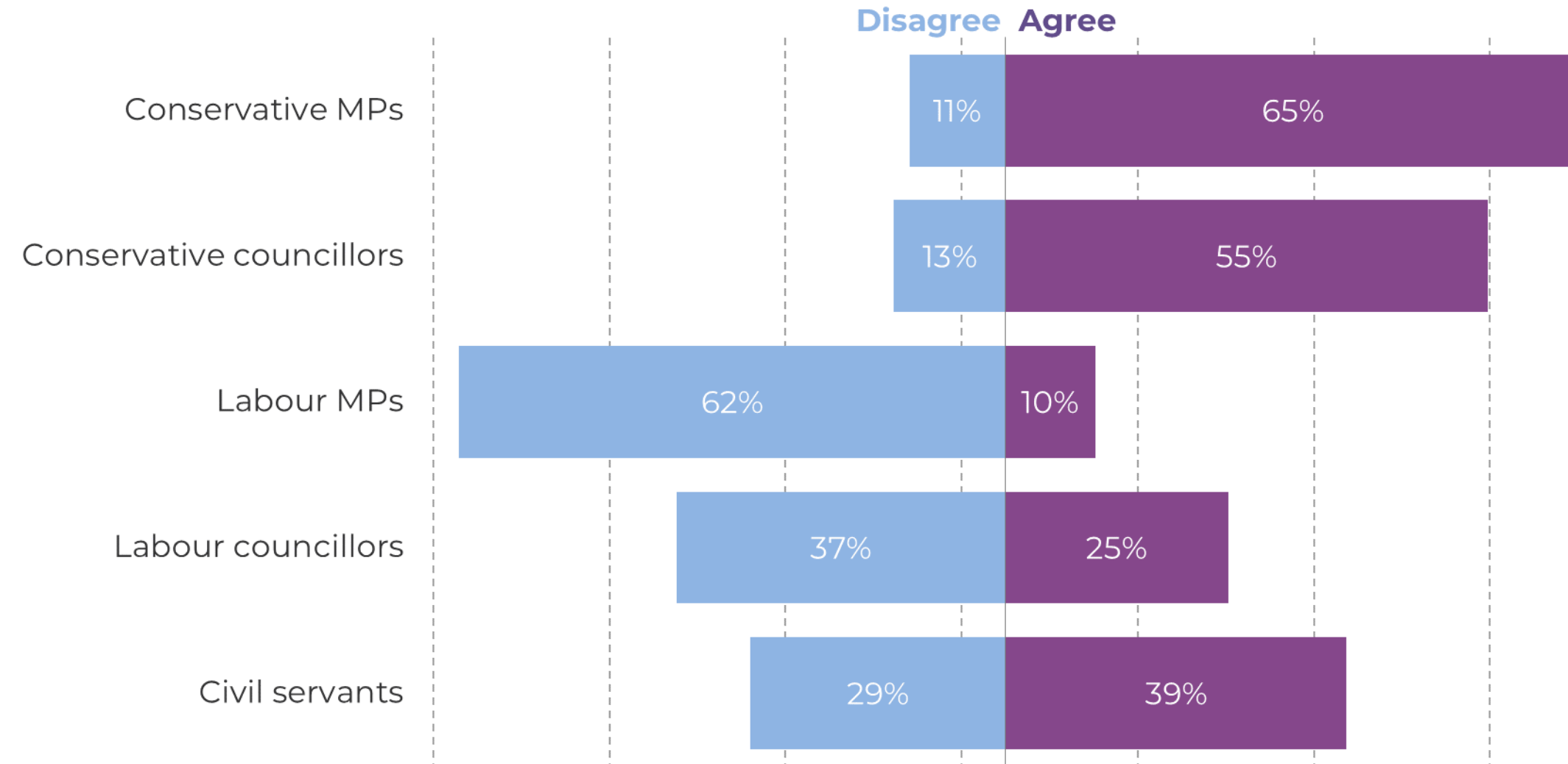


And its four principles

1. Recognition: to ensure a strong and independent civil society
2. Partnership: to ensure effective service delivery and
(Share your thoughts via the NCVO website before 12 December 2024)
3. Engagement: to ensure people and communities can be heard and make a difference
4. Transparency: to ensure civil society and govt have the info needed to best serve people and communities

BUT policymakers don't always trust the sector

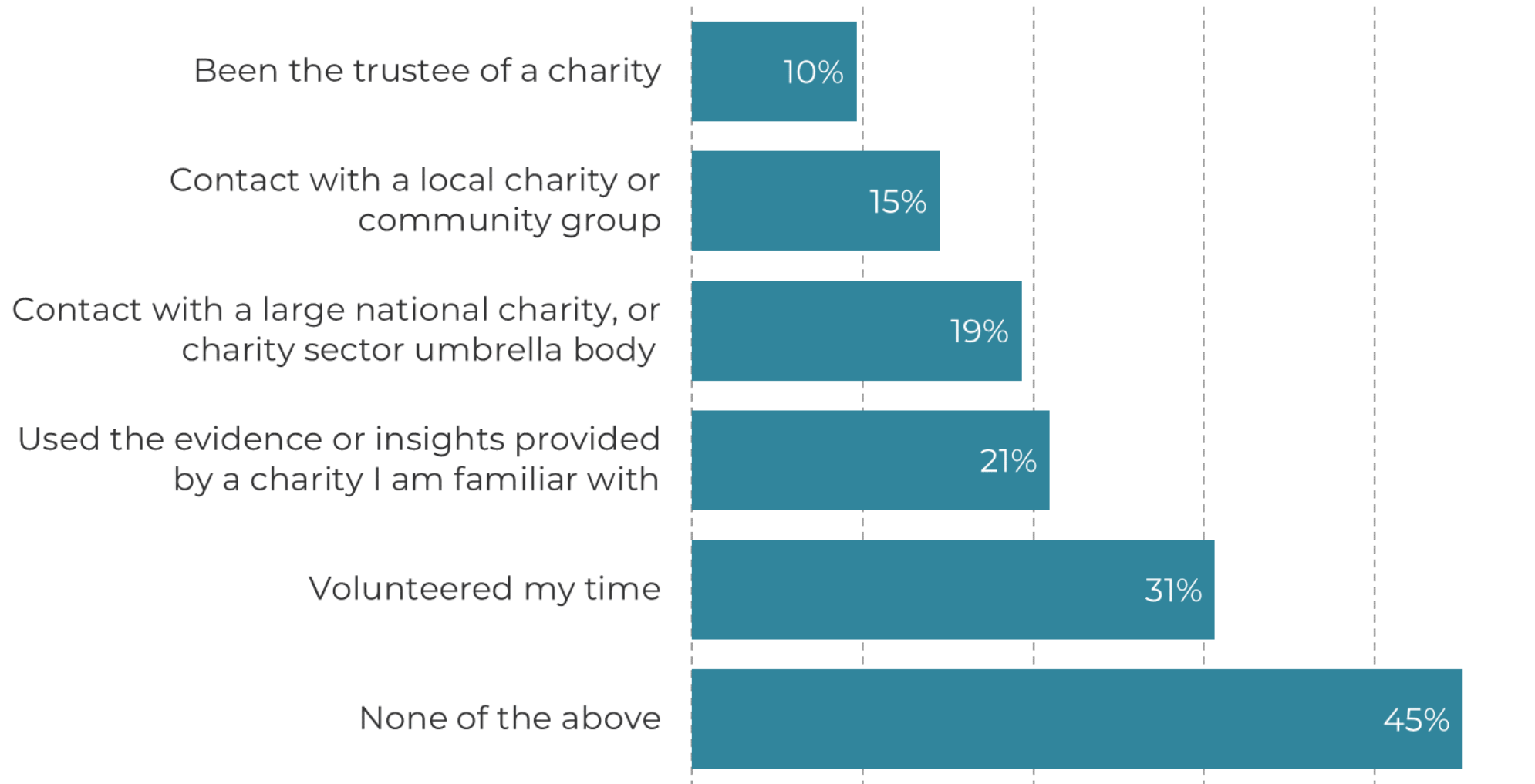
Evidence produced by charities and community groups can be partial or flaky?



Notes: Cons MPs n=51, Cons councillors n=179, Lab MPs n=37, Lab councillors n=186, Civil servants n=62. Residuals are 'Neither agree nor disagree' and 'Don't know'. Source: Polling conducted by YouGov PLC on behalf of the Law Family Commission on Civil Society, 6 July – 27 July 2021

And public officials are relatively disengaged

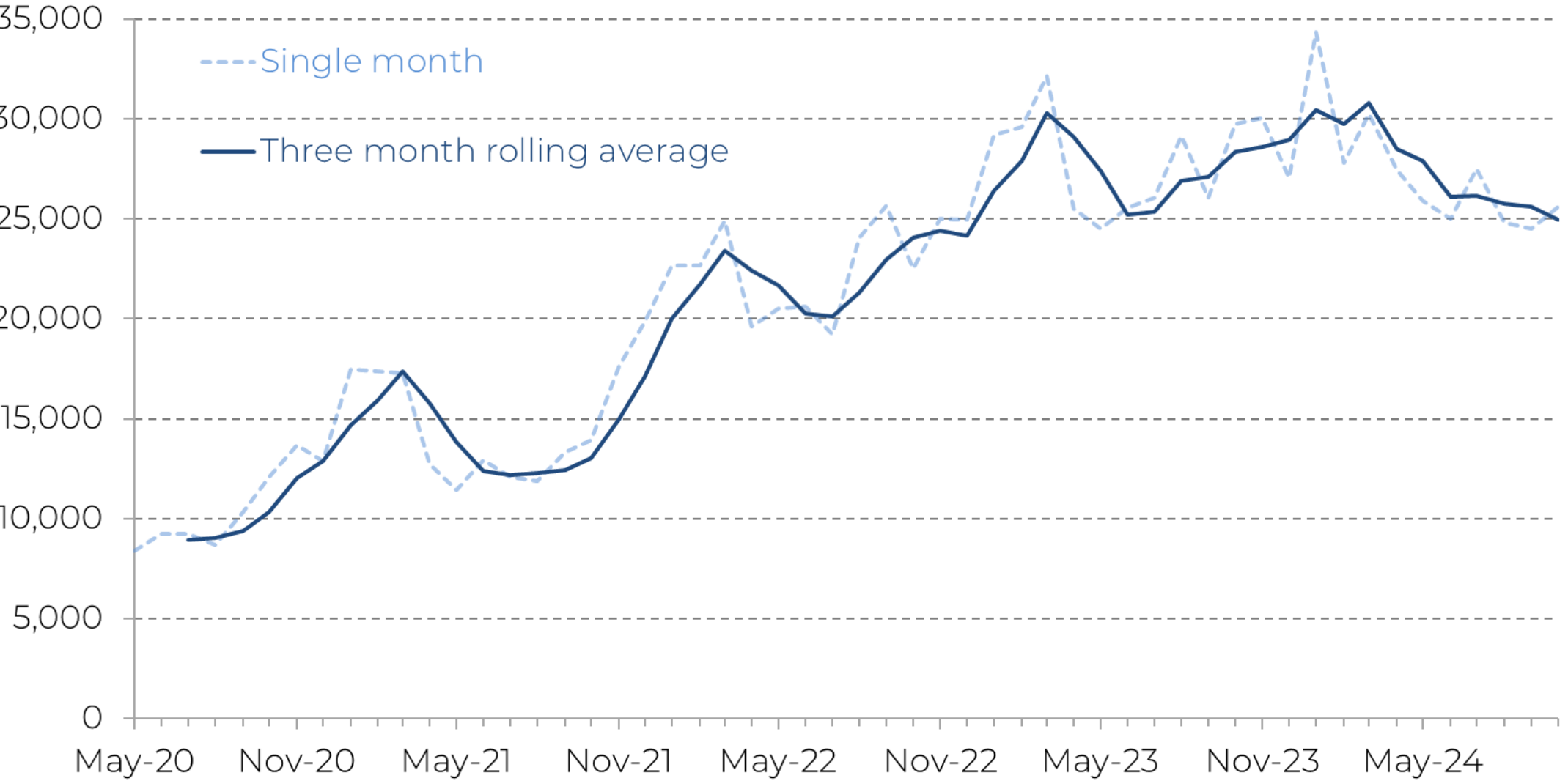
Which, if any, of the following activities have you engaged in in the past 12 months? *Civil servants*



Notes: n = 62, participants could select as many responses as were applicable. Chart excludes responses relating to civil servants' engagement with business. Source: Polling conducted by YouGov PLC on behalf of the Law Family Commission on Civil Society, 6 July – 27 July 2021

Meanwhile the wider backdrop remains tough

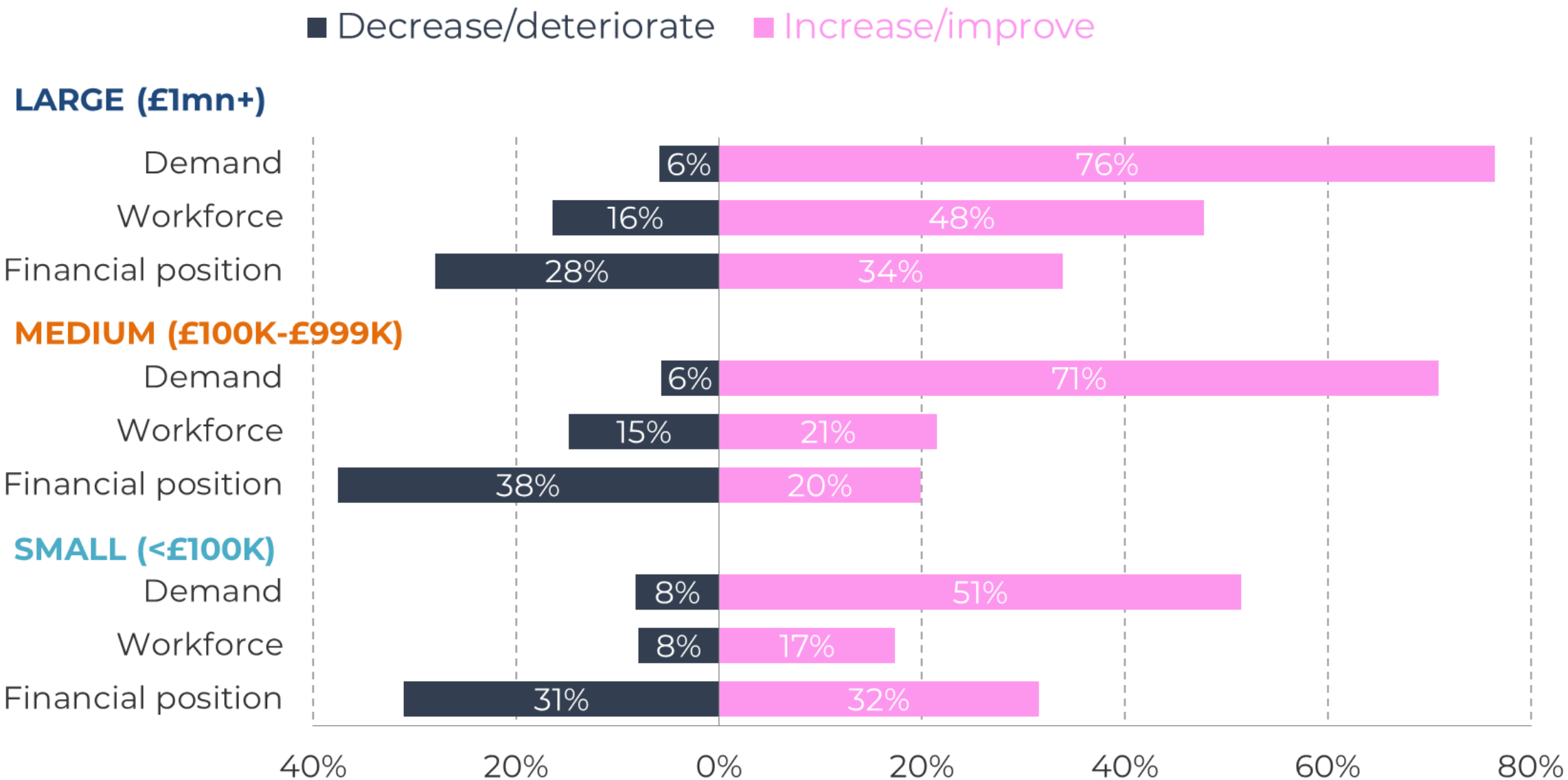
Number of people helped by CAB with referrals to foodbanks or other charitable support: E&W



Notes: Data collected across 600 offices and 1,800 outreach locations across England & Wales. "Other charitable support" covers any emergency financial support or support in kind that people need to make ends meet. Sources: PBE analysis of Citizens Advice, Advice Trends

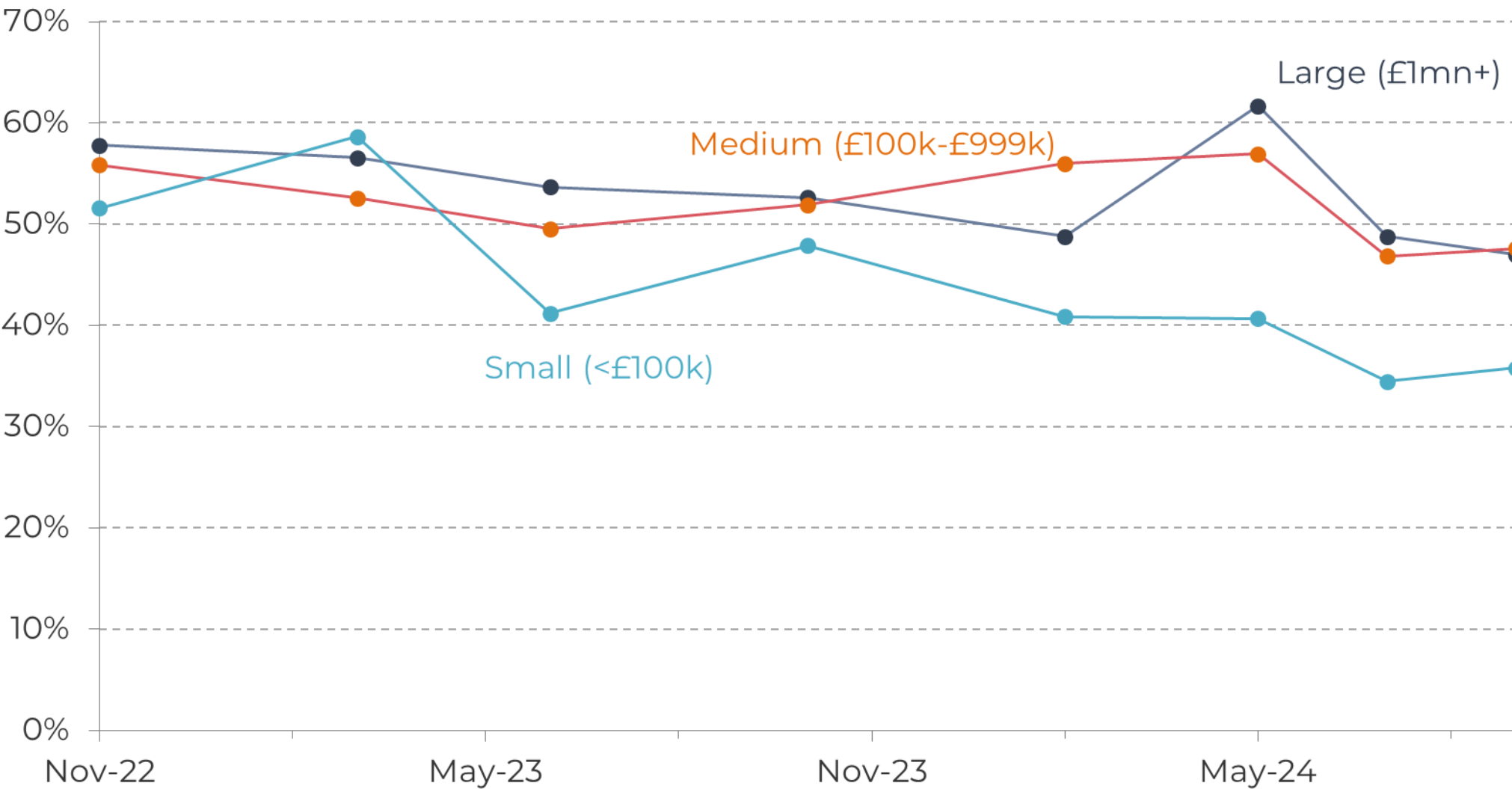
And the sector continues to be stretched (1)

Proportion of charities reporting a change in demand/workforce/finances in three months to Sep-24: UK



And the sector continues to be stretched (2)

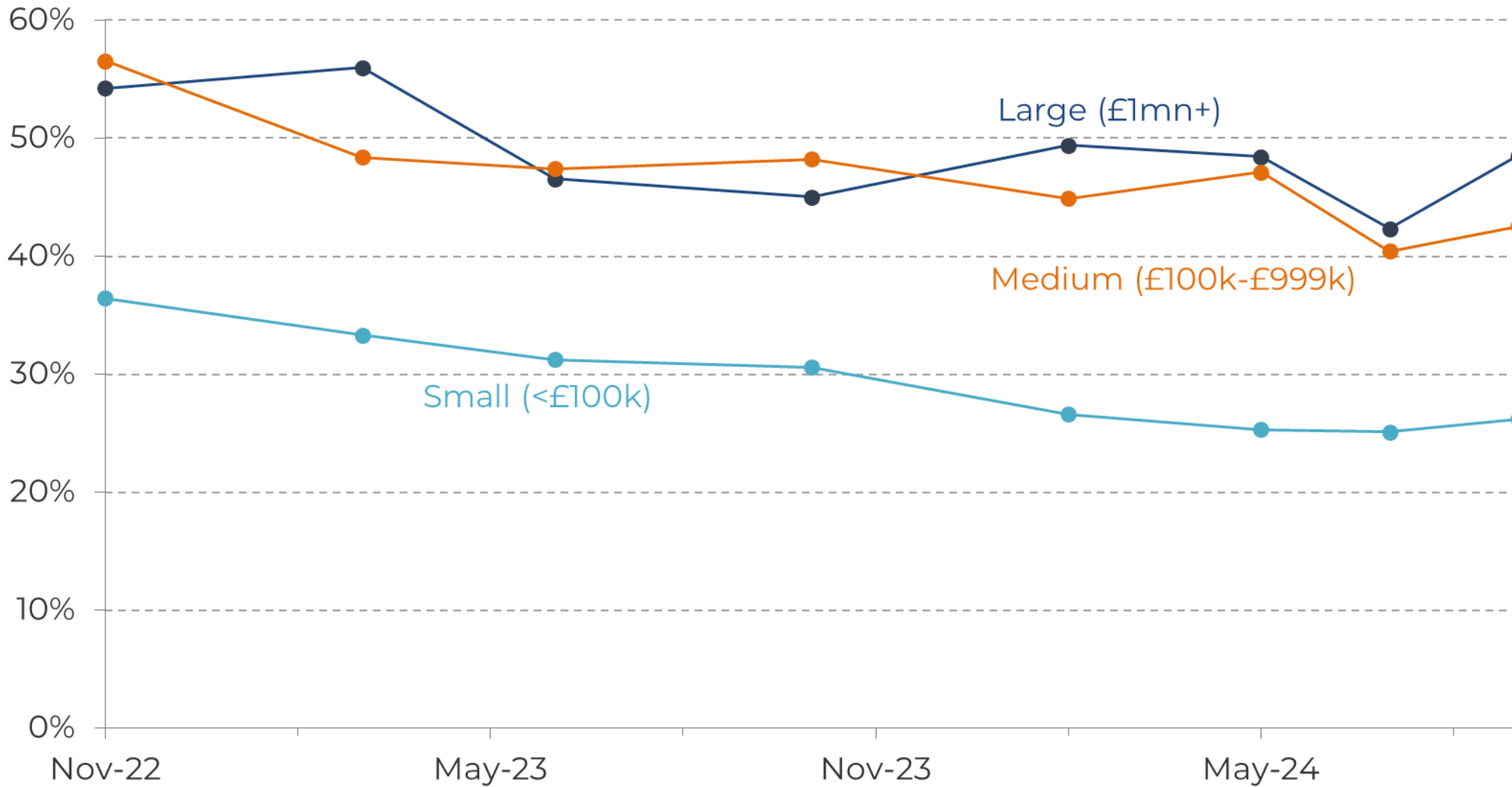
Proportion of charities using reserves to fund current operations: UK



Notes: Wave 1 conducted 7-21 November 2022, N=177 large, 267 medium, 192 small.. Wave 2 conducted 6-20 February 2023, N=125 large, 219 medium, 129 small. Wave 3 conducted 9-23 May 2023, N=131 large, 346 medium, 618 small. Wave 4 conducted 13-27 September 2023, N=80 large, 170 medium, 245 small. Wave 5 conducted 17 Jan-7 Feb 2024, N=62 large, 131 medium, 165 small. Wave 7 conducted 3 - 31 July 2024. N = 85 large, 193 medium, 247 small. Source: PBE and Nottingham Trent University National VCSE Data and Insights Observatory, Quarterly VCSE Sector Barometer, Waves 1-8

And the sector continues to be stretched (3)

Proportion of charities not expecting to meet the demand they face in next three months: UK



Notes: Wave 1 conducted 7-21 November 2022, N=177 large, 267 medium, 192 small.. Wave 2 conducted 6-20 February 2023, N=125 large, 219 medium, 129 small. Wave 3 conducted 9-23 May 2023, N=131 large, 346 medium, 618 small. Wave 4 conducted 13-27 September 2023, N=80 large, 170 medium, 245 small. Wave 5 conducted 17 Jan-7 Feb 2024, N=62 large, 131 medium, 165 small. Wave 7 conducted 3 - 31 July 2024. N = 85 large, 193 medium, 247 small. Source: PBE and Nottingham Trent University National VCSE Data and Insights Observatory, Quarterly VCSE Sector Barometer, Waves 1-8

(Plus, there's the unsaid bit of the govt's offer...)

- There's no money for major renewal of civil society (or the country)
- The 'ask' is self-interested: need to call on every actor to step up
- Ideas will be listened to until they start costing money

So, the 'renewed' relationship needs nurturing

- More formal and informal touchpoints between civil society and policymakers
- Mutual understanding and feedback on what works (and what doesn't)
- Training on both sides to support navigation and trust



And funders need to step up too

- Recognition of need for continued 'emergency' support (compounded by Employer NI change in Budget)
- Patient, lasting, mission-led funding more generally
- Infrastructure, capacity, evidence, skills as well as front line (role of anchor institutions and systems management)
- Evaluation requirements that are appropriate and proportional (motivated by purpose not funding)
- Supportive of collaboration and minimising waste

As part of a wider unleashing of civil society

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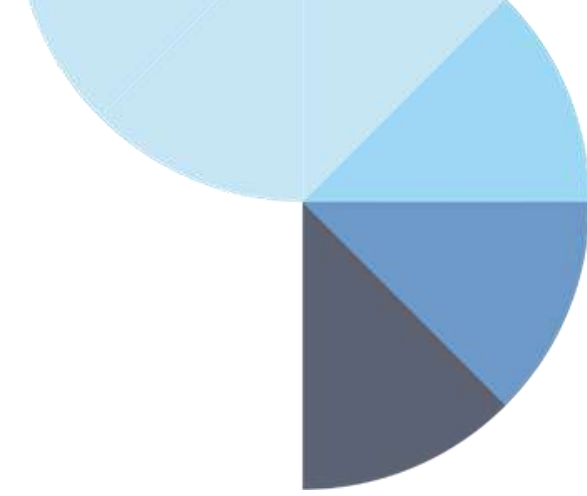
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5 December 2024





Q&A Opportunity



Lunch & Close