The new 2015 Charity SORPs

What is the charity “SORP”? 
The charity Statement of Recommended Practice (“SORP”) provides guidance for charities on how to apply financial reporting standards when preparing accounts. The 2005 SORP has recently been updated as a result of the introduction of Financial Reporting Standard 102 (“FRS102”) which is mandatory for accounting periods commencing on or after 1 January 2015.

Why are there now two charity SORPs?
All charities that exceed the following small entity thresholds must report under FRS102. A charity is “small” provided it is below at least two out of the following thresholds in both the current and preceding year:

- Total income of £6.5m
- Fixed and current asset total of £3.26m
- 50 staff

Charities that fall within these thresholds can report under the Financial Reporting Standard for Smaller Entities (“FRSSE”). As a result there are now two charity SORPs; one for those charities applying the new FRS102, and one for those reporting under the FRSSE.

The main areas of change from the 2005 SORP are set out below:

Trusted Report disclosures
- Reserves
- Going concern
- Financial effect of significant events
- Principal risks and uncertainties
- Remuneration arrangements for key staff
Statement of Financial Activities ("SOFA") and Balance Sheet

- New terms and categorisation
- "Governance costs" will move to the notes
- More analysis of figures in the prior year will now be required
- No significant changes to the balance sheet

Notes to the financial statements

- Total remuneration received by key management staff to be disclosed
- Redundancy and termination payments disclosure required
- Grants to institutions details to be in the notes, unless on the charity's website
- Potentially more related party transactions to report as the definition has changed

Accounting treatments and policies

- Income to be recognised when receipt is probable rather than virtually certain
- Investment properties let to group entities must be accounted for at market value in the charity balance sheet, but differently in the group balance sheet
- Properties used for letting out and the charity's operations have to be apportioned with a different accounting treatment for each part
- Income from donated goods sold has to be accounted for at "fair value" when received rather than when actually sold
- Debtors and creditors due after more than one year have to be discounted to "present value"
- Holiday and sick pay has to be accrued where material
- Deficit reduction plan payments for multi-employer pension schemes need to be accrued in full

What are the main differences between the FRS102 SORP and the FRSSE SORP?
FRSSE SORP users are excused from the following requirements:

- Preparation of a statement of cashflows
- Accrual of deficit reduction payments for multi-employer pension schemes
- Accrual of holiday and sick pay
- Disclosure of remuneration of key management staff
- Treatment of investment properties let to group members at market value
- Discounting of long term debtors and creditors

Can the new SORPs be used straightaway?
No. The requirement to apply the SORP is set out in the Charities Accounts (Scotland) Regulations and these specify that the new SORPs can only be used for accounting periods commencing on or after 1 January 2015.

FRSSE SORP
There are plans to withdraw the FRSSE which will mean changes for those reporting under the FRSSE SORP in due course.

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