

Cancer Research UK response to the Consultation on proposed new XBRL Charity accounts taxonomy

Cancer Research UK (CRUK) is the world's largest independent cancer charity dedicated to saving lives through research. It supports research into all aspects of cancer and this is achieved through the work of over 4,000 scientists, doctors and nurses. In 2014/15, we spent £434 million on research in institutes, hospitals and universities across the UK. We receive no funding from the Government for our research and are dependent on fundraising with the public.

The FRC and the Charity Commission are consulting on conventions for the electronic tagging of charity accounts for charities in the UK and Ireland. Whilst we are in favour of there being a taxonomy for reporting by charities that is "fit for purpose", we have some reservations about its usefulness at this time. Whilst it is currently proposed that tagging is voluntary it would be of concern should this be the first stage of a journey that would lead to it being mandatory in the future.

Our key concerns/suggestions are that:

- There is currently not a strong appetite/perceived need for this in the sector and a stronger case needs to be made for it
- Exemptions for smaller charities would be essential
- Feedback on the proposed taxonomy should be proactively sought from medium and smaller charities
- The proposed taxonomy would benefit from being clearer on which tags apply to all charities, and which tags only apply to charities of a specific nature (e.g. large charities, charities that also report under the Companies Act etc.)

The need for XBRL Charity accounts taxonomy

iXBRL reporting is often promoted as being a more effective way to undertake financial reporting for businesses, and is said to give users of accounts greater levels of transparency. Although this may be the case for some large corporate entities, we do not feel it will be for the majority of the charity sector.

The majority of charities in the UK are small, and therefore spending money (which could run into hundreds of pounds) on tagging software/outourcing the tagging to external specialists would be a huge financial burden on many charities. It is also an increased administrative burden. The majority of charities have fairly simple accounts and producing them in PDF format suits both the charity and the users.

Another concern is that whilst tagging is voluntary those charities who do choose to report using iXBRL may find themselves at an unfair disadvantage compared to other charities who do not. This is both from the perspective of the:

- cost and administrative burden of the tagging process; and

- concern that users of tagged accounts may draw unfair conclusions about a particular charity. The charity sector is under increasing scrutiny at the moment and has suffered from a lot of negative publicity. Tagging may increase the opportunity for misrepresentations about those charities that choose to submit tagged accounts and whose information is much easier to access.

We do not consider that tagging adds any significant value to the sector. In fact, it would put an administrative and financial burden on us that we would rather avoid. It is safe to assume that smaller charities will be even less inclined than we are to do so, particularly those who rely on volunteers and do not have a dedicated finance function.

We challenge the idea that it will enhance the quality of financial reporting. The tagging follows the structure of the Charity SORP and FRS 102 which are relatively clear and easy to use documents. As a result, we do not see any additional advantage that tagging would bring. In terms of the quality of reporting, the requirement to comply with the SORP, FRS 102 (and the Companies Act where applicable) are sufficiently robust to ensure both quality and transparency in reporting.

Although it is quoted that 70% of companies file their accounts with Companies House electronically using iXBRL, the main driver behind this seems to be the mandatory requirement to file tagged accounts alongside tax returns. It is not an identified need within the business community to do so. Most charities do not have to file tax returns and so the incentive for them to use iXBRL is very low. This means that it is likely that it will simply look like a financial and administrative burden of little benefit to a charity.

In conclusion:

- We do not feel that there is an appetite or a perceived need for this in the sector. It is in danger of being an onerous issue of compliance, rather than one that the sector sees as providing added value. The trustees' report allows us to tell users/stakeholders all they need to know. As a result, as matters currently stand, the benefit of being able to 'analyse' information electronically does not outweigh the administrative and financial burden of iXBRL tagging.
- If tagging is to be adopted by a significant number of charities a more convincing case needs to be made for its benefits to charities. If a convincing argument could be made for it being in the public benefit to put tagged accounts in the public domain then we would, of course, be prepared to do this
- Should tagging ever become mandatory in any form it would be essential to provide an exemption for smaller charities. It could be argued that the benefit to the public of having tagged accounts was largely met by requiring it for the very largest charities.
- It is likely that the majority of smaller charities will not provide feedback to the consultation. Therefore we suggest that a more proactive approach should be taken to get input from these organisations, as it is imperative that the proposed taxonomy works for smaller charities as well as larger charities such as CRUK

Review of the proposed taxonomy

As we are keen to ensure that any taxonomy proposed is “fit for purpose”, we have performed a review of the proposed taxonomy structure, to ensure it sufficiently reflects the reporting and disclosure requirements of FRS 102, the Charities SORP and the Companies Act (where applicable).

We have answered your specific questions below, but the main thing we would like to highlight is that the proposed taxonomy covers all possible type of disclosure, many of which will not apply to a lot of charities (e.g. some of the disclosures that only apply to large charities, the Companies Act references, and so forth). Ideally, separate taxonomies would be available for different types/sizes of charities, thus enabling charities to select the one that applies to them.

If this is not possible and it must stay as one taxonomy, it would be useful (either in accompanying guidance or in the taxonomy itself) to make a clearer distinction between which parts apply to all charities, and which apply to charities that are of a certain size/are also companies. It may encourage a greater level of take-up if it were clearer to smaller charities which tags do and do not apply to them, to reduce the risk of confusion.

Another area to highlight is the inclusion of references to items such as dividends declared by the Directors, share-based payment reserves and so forth. We would not expect to see such things in the accounts of charities, and therefore we are unsure why they have been included in the taxonomy. Our recommendation is that any references that will not apply to charities are removed. If there are circumstances in which these items could be included in certain charity accounts, it should be made clear in the taxonomy/in supporting guidance what those circumstances are, as that would help to reduce the risk of confusion amongst those performing the tagging.

Responses to questions asked in the Consultation

1. Does the content of the draft taxonomy accurately reflect expected reporting under the relevant standard - FRS 102 and the Charity SORP (FRS 102)?

On the whole, the taxonomy appears to be fit for purpose. It follows the charity SORP 2015/FRS 102 in a fairly clear and methodical fashion, and it includes the tags which fit in with the mandatory and optional disclosures in those reporting regimes.

2. In order to be helpful to preparers/users; the draft taxonomy includes tags based on ‘should’ provisions rather than just ‘must’ requirements in the SORP. Is the inclusion of these ‘should’ tags in the taxonomy considered helpful?

Yes it is helpful, as long as the tags are clearly marked as ‘should’ tags. If preparers have gone to the effort of including ‘should’ disclosures then it would be preferable to have these tags included as well as mandatory ones. However, to allow preparers to feel confident that they have included all mandatory disclosures in their accounts it would be useful if the ‘should’ tags were differentiated so that preparers can be comfortable in not using those tags if they have chosen not to apply the ‘should’ disclosure, rather than leading them to potentially think they have missed out some mandatory disclosure.

- 3. We are particularly interested in views on the following areas. Do you consider the approach taken is appropriate and if not why not? Do you have any suggestions on how the tags could be better structured?**

The basis of creating the 'transfer of funds', by way of line items and a dimension.

The approach taken appears reasonable and would suit the way that CRUK reports funds transfers within its notes to the financial statements.

The content of the Audit and Independent Examiner Report sections

The tags appear to cover all the relevant sections.

Charitable activities in the Trustees Annual Report, on the face of the SoFA and in the notes to the accounts.

It is felt that the tags appropriately pick up all the relevant parts of the accounts that reference charitable activities.

The analysis and allocation of support costs across activities in the notes to the accounts.

This is considered to be appropriately in-keeping with the disclosures required in the charity SORP 2015/FRS 102/Companies Act 2006.

- 4. Does the Design Document explain changes to the taxonomy usefully and pertinently? If not, how could it be improved?**

The Design Document is comprehensive and provides useful guidance on taxonomies, however the language used is quite technical and it would be useful if a more 'back to basics' introduction to iXBRL were available as well, as if charities are to be encouraged to use iXBRL then it needs to be as accessible and clear as possible, especially as most small charities are not run by people with financial or IT expertise.

- 5. What, if any additional materials, would users of the taxonomy value. For example, website examples of how the various parts of the charity accounts could be prepared and /or consistency checklists?**

A website example is a good idea and we would encourage the production of supporting guidance/checklists wherever possible in order to make tagging as straight forward a process as possible. This will benefit smaller charities in particular who do not have finance teams.

- 6. For Charities that report under different SORPs (FEHE and Registered Providers of Social Housing); is the draft taxonomy sufficient or would such charities desire the development of additional tags?**

Not applicable to CRUK

For further information, please contact Rosie Durham, via rosie.durham@cancer.org.uk or on 020 3469 6111.