

## The Scope of These Guidance Leaflets

The Trustees of a charity have the ultimate collective responsibility for the proper governance of their charity in compliance with the Charity Act. Charity governance is the systems and processes concerned with ensuring the overall direction, effectiveness, supervision and accountability of a charity.

<https://knowhow.ncvo.org.uk/governance/getting-started-in-governance/getting-started-in-governance-1>

For more detailed information and downloadable document & diagnostic tool see the Charity Governance Code website which has sections tailored for smaller, as well as larger, charities:

<https://www.charitygovernancecode.org/en>

This leaflet is one of a series produced by Small Charity Support to give an overview of the things that will be helpful to consider when your Trustees are reviewing your charity's governance and the way it operates.

They are **NOT** a full and comprehensive guide to Charity Law and all the associated regulations. They are just an overview of the main points from the perspective of "[the person on the Clapham Omnibus](#)".



**Please read the Disclaimer on the last page of this leaflet.**



If you need qualified professional advice you should look elsewhere, eg: the "Other Resources" page of the Small Charity Support website: [www.smallcharitysupport.uk/index.php/other-resources](http://www.smallcharitysupport.uk/index.php/other-resources)

Other leaflets in this series are downloadable from the [Small Charity Support website](#):

Responsibilities & Roles of ALL Trustees

Typical Responsibilities & Roles of the Chair

Typical Responsibilities & Roles of the Treasurer

Payments to Trustees

Managing the Money Made Easy

*More information on managing your charities finances can be found on the website [HERE](#)*

Minutes: Recording Events & Decisions

Policies & Procedures

*Some example policies & procedures which you might be able to adapt for your charity's own use can be found on the website page "Example Policies" [HERE](#)*

Programme Planning More information can be found on the website [HERE](#)

Outputs & Outcomes

*Demonstrating the charity's delivery of value-for-money charitable benefits*

The Bank Account(s)

**Preparing the Trustees' Annual Report** {This Leaflet}

Preparing the Annual Accounts (Financial Statements)

Reserves Policies

Choosing an Independent Examiner or Financial Advisor

Your comments and suggestions (to [comments@smallcharitysupport.uk](mailto:comments@smallcharitysupport.uk)) on how these leaflets could be improved to make them clearer and more useful would be much appreciated.

# Preparing the Trustees' Annual Report

Preparing the Annual Financial Statement ("Accounts") is dealt with in a [separate leaflet](#)

This leaflet contains a lot of hyperlinks and footnotes for those who want to go to the internet to look up wider information on the issues being raised.

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# Preparing the Trustees' Annual Report

Preparing the Annual Financial Statement ("Accounts") is dealt with in a separate leaflet

## 1. Introduction

In this leaflet: where references to other reports or reviews are highlighted [blue-underlined](#), clicking on those references will take you on-line to the document being referred to.

This leaflet is based on the Charity Commission on-line guidance (*Crown copyright © acknowledged*).

[Charity Reporting and Accounting: the Essentials – November 2016 \(CC15d\)](#) (updated 14 July 2021).

[Prepare a Charity Trustees Annual Report](#) (published May 2013)

[Receipts & Payments Accounts Pack \(CC16\)](#) (updated October 2017)

[Accruals Accounts Pack \(CC17\) – SORP FRS 102](#) (published September 2016)

[Accruals accounts pack \(CC17\) - SORP FRS 102 for charitable companies](#) (published March 2017)

[Charity Commission Example Trustees' Annual Reports](#) (published May 2013, updated various)

The Resource Centre has a useful [web-page](#) describing the "headline" requirements for preparing a charity Trustees Annual Report which you might find useful – particularly the tables setting out the thresholds for the different reporting requirements for different types of charities.



## 2. Some Common Misunderstandings

### 2.1. To Report ..... or Not to Report ?

The Charity Commission doesn't require unincorporate charities (*ie*: charities which are not CIOs or Charitable Companies) to send in a copy of their Trustees' Annual Report & Accounts each year for inclusion in the public [Register of Charities](#) if their annual income is less than £25,000.

Consequently it is common for the trustees of such charities to think that they aren't required to prepare "formal" Annual Reports & Accounts each year, or even to prepare any at all.

**That is NOT true.** Section 1.2 of the Charity Commission guidance document [CC15d](#) clearly says (and reiterates even more clearly in section 7):

*"All registered charities must prepare a trustees' annual report and make it available on request".*

And the guidance document goes on to detail all the information which **MUST** be (*ie*: the Charities Act legally requires to be) included in the Trustees' Annual Reports of ALL registered charities.

*{For convenience a slightly abbreviated extract of Section 7 in guidance CC15d is included as an appendix to this leaflet.}*

### 2.2. The Trustees' Annual Report is just the Chair's Report to the AGM

It is certainly true that what is said about the charity's activities and achievements during the year in the Chair's report to members and supporters of the charity at its AGM will reflect what is said in the formal Trustees' Annual Report. But the Chair's report at the AGM is often a more informal and personal report to those present at the AGM. So, unless the Chair's report meticulously includes all the information and statements required by the Charities Act, it is **NOT** an alternative to, or substitute for, the Trustees Annual Report. This is explained in more detail later.

### 2.3. To Incorporate.... or Not to Incorporate




All CIOs (Charitable Incorporated Organisations) are required to submit their formal Trustees' Annual Report & Accounts to the Charity Commission each year whereas as "simple unincorporated charities" with annual incomes less than £25,000 are not. Consequently, it is often thought that registering a charity as a CIO is "more trouble than it is worth" if its annual income is less than £25,000

**That is NOT true:** In reality, the difference in effort is trivial – the 30 seconds (or less) that it takes to click on the link to attach a copy the charity's formal Trustees' Annual Report & Accounts to the charity's annual on-line return form. Because, as previously indicated, all charities regardless of their legal status are required to prepare formal Trustees Annual Report and Accounts with the same content and to the same standard regardless of their annual income.

## 2.4. Trustees' "Annual Report" ↔ Charity "Annual Accounts" One Document or Two?

Referring to them, collectively, as the "Trustees Annual Report & Accounts" (TAR&A) creates the impression that a charity's TAR&A go "hand-in-hand" - *ie:* are one single document in two parts. And they are often published together, re-enforcing that impression. In addition, the Charity Commission provides three different templates for charity Trustees' Annual Reports and links them to three different templates to the charity's Annual Accounts:

- (1) for a non-company charity – reached via the Accruals accounts pack [CC17](#);
- (2) for a [charitable company](#) – reached via the Accruals accounts pack for companies [CC17](#);
- (3) for a non-company charity – reached via the Receipts & Payments accounts pack [CC16](#).

Non-company (CC17)	Charitable Company (CC17)	Non-company (CC16)
		

So it is not surprising that the trustees of small charities often think that the format and content of their Trustees Annual Report (TAR) is dictated by the type of annual accounts that their charity produces. *ie:* the TAR required to accompany charity accounts prepared on the Accruals basis differ significantly from (*ie:* be more "complicated" than) the TAR required had the charity opted to prepare its accounts on the Receipts & Payments basis.

**WRONG !**

[Section 7](#) of the Charity Commission guidance explicitly states:

***Small charities, whether preparing receipts and payments accounts or accruals accounts have identical annual reporting requirements under the 2008 Regulations.***

***Trustees may choose how they lay out their annual report, provided all the legal requirements are met.***

## 3. Getting it Right is NOT Difficult !

### 3.1. The Chair's Report to the AGM

The Chair's report to the members at the AGM is very much an "internal" report – an opportunity for the Trustees & members to reminisce about all the wonderful things that the charity has done and achieved – an important and valuable opportunity to give well-deserved "pats on the back" to those who have contributed those little personal touches that make the charity so successful and so rewarding to work and volunteer with – *eg;*

Mr & Mrs Brown who always provide such lovely tea & cakes for committee meetings;

Mr & Mrs Smith who worked late into the evening to ensure that all the gifts to the toy collections were nicely wrapped for distribution to children in need.

And because the Chair's report is to an "internal" audience who are already familiar with the charity's objects, what it does, who it works with and – to a considerable extent – what it achieves, there is little need to go into all the "technical statistics" of KPIs (Key Performance Indicators), targets achieved (or missed), financial surpluses or deficits (provided that the charity is not in financial difficulties) .

Indeed, many members at an AGM wouldn't want to be bothered with all those little "technicalities". It's the Chair's "thank-you"s, the words of appreciation, the recognition of jobs well done, the sense of achievement, which are so important for everyone's morale and continued support & enthusiasm.

### 3.2. The Trustees' Annual Report for the Public Record

By contrast, the Trustees' Annual Report (TAR) is very much an "external report". It is the Trustees putting into the public record the detail, with supporting evidence, of how the charity achieved value-for-(donors') money in delivering the charity's purposes/objects for the public benefit.

To quote from Section 3.4 of the Charity Commission's guidance, Charity Reporting and Accounting: The Essentials ([CC15d](#)):

*The annual report is an essential opportunity to highlight the main activities or significant activities undertaken in order to carry out the charity's purposes for the public benefit and explain fundraising practice. The report's audience is not just trustees and members, funders, donors and beneficiaries, but also the wider public who have an interest in what charities do and what they achieve.*

*..... Importantly, it brings the charity to life and for those charities that rely on voluntary income as their primary source of funding provides donors with the opportunity to understand how their money was spent and the difference it has made.*

So it important that the TAR is written on the premise that the reader has little or no prior knowledge of what the charity does on a day-to-day basis. Activities must be presented within a context which gives the readers sufficient background information to enable them to understand why those activities were undertaken and the constraints on delivering them in an **E**fficient, **E**ffective & **E**conomical way (the '3-**E**s' of being 'business-like' and demonstrating "[Value for Money](#)", to which a further 3-**E**s – **E**quitable, **E**thical and **E**cological – are often added in the charity sector). And the achievements must also be presented with sufficient information to enable all readers to appreciate how the activities delivered value-for-money benefits to both the individual recipient beneficiaries and the general public.

It also forms an important long-term historical record of the charity's activities – documenting its successes, and how they were achieved.

And, YES !, where appropriate the TAR should also document the things that went wrong – what caused them to go wrong and what had been done to prevent them recurring.

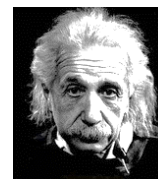
As none other than Einstein famously [commented](#):

*"Anyone who has never made a mistake has never tried anything new."*

Documenting the things that went wrong doesn't have to be documenting "failure". Much more powerfully it can be documenting the charity's vision and innovation in trying out new ideas; documenting the charity's insight and objectivity in quickly recognising when things are not going as intended; documenting the charity's resilience and resourcefulness in being able to take appropriate action to prevent unnecessary harm; documenting the charity's wisdom in being able to learn lessons from the things that went wrong and apply that learning to move on to better things; documenting the charity's honesty and integrity in "putting its hand up" and acknowledging its mistakes rather than trying to "sweep them under the carpet". For as Einstein also [commented](#):

*"We cannot solve our problems with the same thinking we used when we created them"*

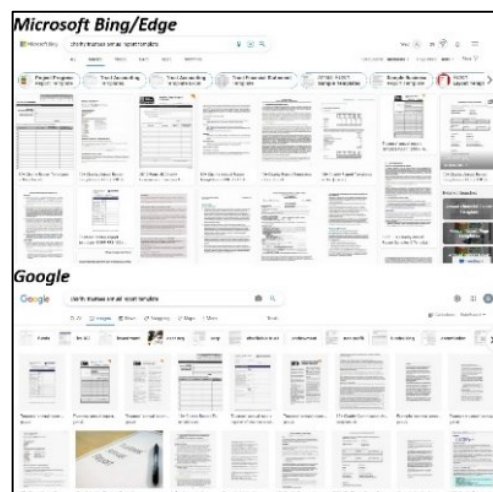
So the Trustees' Annual Report is a vitally important record for new Trustees joining the charity, and valuable, too, for funders/donors to be able to see the charity's track-record of effective use of its funds (particularly when the charity is applying for new grants/donations).



### 3.3. Choosing the Right Layout & Content for the Trustees' Annual Report

Deciding on the most appropriate format (layout & content) for your Trustee's Annual Report is often the hardest part to get right. Searching the internet for "Charity Trustees' Annual Report Template" will come up with a wide variety of possible options (*see examples right*) whichever search engine you use.

As illustrated earlier, the Charity Commission itself offers three different templates linked to the type of accounts being reported even though its guidance explicitly states





that “...R&P accounts or Accruals accounts have identical annual reporting requirements”. So, in practice, the differences between the 3 are primarily “cosmetic” (ie: about the style & layout of the TAR rather than its content).

You can also look at the eight example TARs provided by the Charity Commission as models of good practice in preparing TARs. But of those 8 “model” TARs only 1 actually uses a Commission template {the CC16 version for an unincorporated charity preparing R&P accounts}. The only other example TAR of a “small” charity preparing R&P accounts is for a Parochial Church Council – a body with a very specific governance structure and subject to the [rules and regulations of the Church of England](#) {and, therefore, of questionable relevance as a “model” for the Trustees’ Annual Report of the many (if not most) small charities which do not operate under the auspices of the Church of England}. And 6 of the Charity Commission’s 8 “model” templates (ie: 75%) are examples of the 9% charities with annual incomes over £500K {and, therefore, of questionable relevance as “models” for the Trustees’ Annual Report of the 91% of “small” charities with annual incomes less than £500K}.

As already noted above, there is no prescribed layout or format for a Trustees’ Annual Report. Trustees can create any layout and include any content that they feel is appropriate for their charity, provided that their report includes all the elements prescribed by the regulations. So while it **is** important that a charity’s TAR should “tick all the boxes” for compliance with the requirements of the Charities Act, even more important is what the TAR should look like and what information it should contain to create the best impact for the charity’s supporters and donors.

A good place to start is the [Register of Charities](#). There you can find and download the Trustees’ Annual Reports for other charities which either (or both) have similar objects to, or operate in the same locality as, your charity to see what approaches they have taken.

Some charities produce very glossy and elaborate Trustees’ Annual Reports, with lots of pictures and “enthusiastic stories” of their activities and achievements.

Others can be very perfunctory {like the Charity Commission’s model example for the fictional Westbeach Youth Club using its model template (CC16), which is [referred to again later](#)}. And some not even sufficient to “tick all the boxes” for compliance with the statutory requirements.

### 3.4. Small Charity Support’s Template for its Trustees Annual Report

The template which accompanies this leaflet is based on the one that Small Charity Support uses to prepare its own Trustees’ Annual Reports {copies of which can be found on its website or on the Charity Commission’s Register of Charities}. Small Charity Support recognises – as “common knowledge” – that charities are so diverse that there can be no “one size fits all” for reporting their charitable activities, their achievements, and the public benefit they create. So the template for those sections consists of nothing more than the title of the sections to recognise that they are required, but to leave trustees to complete them as they see fit for their own charity. The remaining sections are there to make it easier for trustees to ensure that they have “ticked all the boxes” for the more “nuts & bolts” statutory sections of their Annual Report.

The template starts with a title page; an index of contents and a short introduction (ie: an “Executive Summary” to “set the scene” for people encountering the charity for the first time). All are optional.

Then follows:

- ☞ a section for the report on the charity’s activities and achievements, and the public benefits it has created. This can be as long and “glossy” (ie: lots of photos, stories, accolades) or as short (just enough to meet the statutory requirement) as the trustees feel is relevant and appropriate to the interests and needs of its members, supporters, donors and funders;
- ☞ a financial review, provided to reassure donors/funders/members that the charity’s money is being received and spent wisely (and honestly);
- ✂ the Reference, Administration and other statutory information needed to tick all the boxes that the TAR complies with the reporting regulations.

The Small Charity Support template is made available for other small charities to download free of charge to adapt to suit their own needs – or to ignore – as they see fit.

## 4. What the Trustees' Annual Report MUST Contain

### 4.1. The Essentials

All registered charities (whatever their size, however small) are required by the Charities Act to produce every year a written Trustees' Report on its activities.

AND even if those Annual Reports do not have to be sent to the Charity Commission each year, they must still be readily available to show to the Charity Commission on demand;

AND they must also be made available to any members of the public who reasonably want to see them and, of course, to potential funders when applying for a grant or other form of funding.

### 4.2. In Outline

As set out in "[Charity Reporting and Accounting: the Essentials – November 2016 \(CC15d\)](#)" charity Trustees' Annual Reports MUST contain information under the following headings:

The symbols indicate:

- ✂ "nuts and bolts" information which usually changes little, or not at all, from year to year;
- 🕒 activity – outputs and outcomes – reports which usually need to be re-written each year;
- 🏢 only required from larger charities or those which have to have their annual accounts audited.

Objectives and activities	🕒
Achievements and performance	🕒
Public benefit statement	✂
A financial review	🕒
Funds held as custodian trustee on behalf of others	✂ <i>{usually only for larger incorporated charities}</i>
Reference and administrative details	✂
Structure, governance and management	✂
Plans for future periods	🏢 🕒
Information on fundraising practices	🏢 ✂
Additional requirements for group accounts	🏢 ✂

For most charities, reporting the "nuts and bolts" information (✂), though quite lengthy, is usually not an onerous task as only little changes from year to year (*eg:* the names of the current trustees). So preparing the report usually means just copying the information from the previous year's report and updating where necessary.

There is no legal requirement on the order in which the various section are presented in the report, only that they be included somewhere.

Bearing in mind the Charity Commission's observation that a good Trustees' Annual Report "...brings the charity to life..." Small Charity Support prefers its Trustees' Annual Report to start off with its Objectives, Activities, Achievements and Performance in order to "...provide donors **{AND volunteers and supporters}** with the opportunity to understand how their money was spent **{AND their time and expertise was used}** and the difference it has made – ie: to recognise that there is more to "charity" than money and accounts.

The following information on what the Trustees' Annual Report must contain are taken from the Charity Commission guidance (*Crown copyright, © acknowledged*)

But note that this leaflet does NOT cover the information required of larger charities (incomes over £500K) and those whose accounts are required to be formally audited, because that is irrelevant to the trustees of the 85% majority of smaller charities – incomes less than £250K – for whom this leaflet is intended. The trustees of such charities should consult the Charity Commission guidance for further details on the requirements that apply to them.

## 4.3. In More Detail

### 4.3.1. Objectives and Activities

Under this heading the report should provide information to help the user understand how the charity's aims fulfil its legal purposes, the activities it undertakes and what it has achieved.

All charities must provide in a brief summary:

- ✘ a description of the purposes of the charity;
- ☞ the main activities undertaken by the charity to further its charitable purposes for the public benefit;
- ✘ a statement by the charity trustees as to whether they have complied with the duty to have due regard to guidance on public benefit published by the Commission.  
This can, alternatively, be put as a separate statement (see 2.7 below)

It is not a requirement, but it is good practice to report:

- ☞ a review of the significant activities undertaken by the charity during the financial year to further its charitable purposes for the public benefit or to generate resources to be used to further its purposes.
- ☞ details of any significant contribution of volunteers to the charity's activities.

### 4.3.2. Achievements and Performance

- ☞ Under this heading it is good practice to include not only details of the achievements of the charity during the year, but also to indicate how those achievements were "measured" by reference to the aims and objectives which have been set.

The Charity Commission [guidance](#) specifically states (in section 7.4.1):

*"Charities that are not subject to a statutory audit requirement may limit their disclosures within this section to a brief summary of the achievements of the charity during the year."*

But that raises the question "how brief is 'brief'?"

A few "heart-warming" words sufficient to "tick the box" of having complied with the guidance?

Or *"...an essential opportunity to highlight the main activities or significant activities undertaken in order to carry out the charity's purposes for the public benefit and explain fundraising practice. ... and ... it brings the charity to life and for those charities that rely on voluntary income as their primary source of funding provides donors with the opportunity to understand how their money was spent and the difference it has made."* (as in section 3.4)

The Charity Commission's own example Trustees' Annual Report for the [Westbeach Youth Club](#) illustrates this issue unfortunately well ! *{The following comment can be skipped if you wish}*

**Comment:** In 2018 Small Charity Support submitted a critical review of the Charity Commission's "model" Trustees' Annual Report based on the fictional charity, Westbeach Youth Club. The Charity Commission responded: *"I note your concerns about how helpful the Westbeach Youth Club example is in practice. .... We will therefore produce a new model trustees' annual report and accounts for charities preparing receipts and payments accounts, based on our current templates and guidance, to replace the Westbeach Youth Club example."*

Following that review the example Report was updated {extracts illustrated right}. But, in the opinion of Small Charity Support, is still less than a shining example of a good report. eg: It is not clear how "great excitement" represents an "achievement" – though the reports of members passing their DoE awards certainly qualifies. And running "keyboard tuition classes" and "upgrading the computer suite" don't really count as "achievements" in the absence of any indication of what significant obstacles had to be overcome in order to achieve them.

*sessions. Following the purchase of the second hand minibus in 2015, WYC has undertaken a broader range of activities and at Easter there was great excitement as Dartmoor appeared out of the mist on the road up from Yelverton as we headed out on a field trip with 12 of our junior members.*

*Extras: The keyboard tuition classes were attended by over a dozen members and we are now looking into providing classes in other musical instruments. Following the purchase this year of new computer equipment, the IT suite is now upgraded to the new Windows product suite with 12 operational computers, and a qualified lecturer.*

**Note:** The Charity Commission guidance and model templates have reporting on objectives & activities, and on achievements & performance, as two separate sections, each with a further "optional" sub-section for "additional details".



Small Charity Support believes this is NOT a good idea and its template does not include such sections. That's because we believe that this causes unnecessary and inappropriate fragmentation of the Report. In particular, it can make it difficult to link the reports of the charity's achievement & performance to the objectives & activities which created them.

Instead, we suggest that as the Report goes through each of the charity's key objectives & activities for the year in turn, following them up immediately with what activities the charity undertook to achieve those objectives (the charity's Outputs) and what those activities achieved (Outcomes)

For further information on Outputs, Outcomes KPIs (Key Performance Indicators), see the Small Charity Support guidance leaflet "[Outputs & Outcomes](#)".

**Note:** This suggestion is based on the statement in Section 7 of the Charity Commission guidance which states: "... trustees may choose how they lay out their annual report, provided all the legal requirements are met". As the suggestion retains all the information required by the Guidance, but simply presents it in a slightly different layout, Small Charity Support believes that it continues to be compliant with the guidance. If trustees have any concerns about that they should seek alternative professional advice that they believe they can rely on.

### 4.3.3. A Financial Review

Charities must report:

- ✘ policy on reserves  
See the Small Charity Support leaflet for more information on creating a [Reserves Policy](#)
- ☉ the level of reserves held and why they are held;  
where material funds have been designated, the reserves policy statement should quantify and explain the purposes of these designations, and where set aside for future expenditure, the likely timing of the expenditure'
- ✘ Where no reserves policy is in place, a statement should be made to that effect;
- ✘ where any fund is materially in deficit, the circumstances giving rise to the deficit and details of the steps being taken to eliminate the deficit.

It is not a requirement but it is good practice for the report to comment on:

- ✘ any significant events that have affected the financial performance and financial position of the charity during the reporting period;
- ✘ the major risks to which the charity is exposed, and the systems or procedures have been established to manage those risks.

### 4.3.4. Plans for Future Periods

It is not a requirement for small charities to report on their plans for future periods, but it is good practice to do so.

For further information see the Small Charity Support webpage on [Programme Planning](#).

### 4.3.5. Reference & Administrative Details

Charities must report:

- ✘ the charity's name, for registered charity this is the name registered with the Charity Commission; any other name(s) which the charity regularly uses should also be given;
- ✘ the charity registration number;
- ✘ the address of the principal office of the charity;
- ☉ the names of all those who were the charity's trustees or custodian trustees on the date the report was approved AND the name of any other person who served as a charity trustee or custodian trustee in the financial year in question.

**Note:** Where the disclosure of the names of any charity trustees, custodian trustees, senior staff member, or persons with power of appointment, or of the charity's principal address could lead to that person being placed in personal danger (for example in the case of a women's refuge), the charity trustees may ask the Charity Commission for its permission (in writing, of course) not to disclose those details.

**Jargon Notes:**

*“Custodian Trustee” is a legal term to describe a corporation appointed to hold property for a charity. A custodian trustee isn’t a charity trustee in the ordinary sense of the word “trustee” and must act on the lawful instructions of the charity trustees.*

*“Holding trustees” is similarly a legal term to describe individuals appointed to hold property for a charity. They, too, aren’t charity trustees and must act on the lawful instructions of the charity trustees and in accordance with any provisions in the governing document.*

*Most small charities will not have any custodian or holding trustees.*

#### **4.3.6. Structure, Governance and Management**

The annual report should provide the reader with

- ✘ the type of governing document (eg: constitution, trust deed, memorandum & articles of association etc); and the date it was formally registered with the Charity Commission (if known),
- ✘ where any person or external body is entitled to appoint 1 or more charity trustees, the report should explain this and give the name of that person or body;

It is NOT a requirement, but it IS good practice, to describe the policies and procedures for the induction and training of trustees and where no such policies have been adopted, a statement to that effect should be made (✘).

#### **4.3.7. Funds Held as Custodian Trustee on Behalf of Others**

- ✘ It is assumed that the small charities for which this guidance leaflet is intended will not be acting as custodian trustees. Their report will therefore just say “None”.

#### **4.3.8. Public Benefit Statement**

All reports must include a statement confirming whether the charity trustees have complied with their duty to have due regard to the guidance on public benefit published by the Charity Commission in exercising their powers or duties.

The statement must included here if the trustees decided not to include it earlier in section 2.1

# Appendix

## The following text is a slightly abbreviated extract from Charity Commission guidance, **CC15d: - Charity Reporting & Accounting: The Essentials**

<https://www.gov.uk/government/publications/charity-reporting-and-accounting-the-essentials-november-2016-cc15d/charity-reporting-and-accounting-the-essentials-november-2016-cc15d--2>

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The text reproduced in grey is probably not relevant to typical small charities  
*ie:* with incomes less than £250,000

## 7. Legal requirements for annual reports

The detailed legal requirements for the trustees' annual report are set out in The Charities (Accounts and Reports) Regulations 2008 which provide a legal underpinning for many of the recommendations made in the applicable Charities SORP.

The headings used in this section are taken from the Charities SORP (FRS 102), however trustees may choose how they lay out their annual report, provided all the legal requirements are met.

Small charities, whether preparing receipts and payments accounts or accruals accounts have identical annual reporting requirements under the 2008 Regulations and should follow guidance under the heading 'Matters that all charities must report'.

### 7.1 Reference and administrative details

#### 7.1.1 Matters that all charities must report

- ✓ the charity's name, which in the case of a registered charity means the name under which it is registered; any other name which a charity uses should also be given
- ✓ the charity registration number, and if applicable, the company registration number
- ✓ the address of the principal office of the charity, and in the case of a charitable company, the address of its registered office
- ✓ the names of all those who were the charity's trustees or custodian trustees on the date the report was approved; where there are more than 50 trustees, the names of at least 50 of the trustees including all the officers of the charity, for example chair, treasurer etc – where the trustee is a body corporate, the names of any person who is a director of the body corporate are given
- ✓ the name of any other person who served as a charity trustee or custodian trustee in the financial year in question

Where the disclosure of the names of any charity trustees, custodian trustees, senior staff member, or persons with power of appointment, or of the charity's principal address could lead to that person being placed in personal danger (for example in the case of a women's refuge), the charity trustees may dispense with the disclosure provided that the commission has given them authority so to do.

All charities preparing accounts on an accruals basis should also refer to the applicable SORP for any additional requirements for what the SORP terms 'larger charities' (currently gross income of £500,000 or more).

### 7.2 Structure, governance and management

#### 7.2.1 Matters that all charities must report

The annual report should provide the reader with:

- ✓ particulars, including the date if known, of the nature of the governing document for example trust deed, memorandum and articles of association etc

- ✓ where any person or external body is entitled to appoint 1 or more charity trustees, the report should explain this and give the name of that person or body

All charities preparing accounts on an accruals basis should also refer to the applicable SORP for any additional requirements for what the SORP terms 'larger charities' (currently gross income of £500,000 or more).

#### **7.2.2 Matters that charities subject to statutory audit must also report**

Charities must report:

- ✓ a description of the organisational structure of the charity for example limited company, unincorporated association etc
- ✓ the policies and procedures for the induction and training of trustees and where no such policies have been adopted, a statement to that effect

### **7.3 Objectives and activities**

#### **7.3.1 Matters that all charities must report**

The report should provide information to help the user understand how the charity's aims fulfil its legal purposes, the activities it undertakes and what it has achieved. All charities must provide in a brief summary:

- ✓ a description of the purposes of the charity
- ✓ the main activities undertaken by the charity to further its charitable purposes for the public benefit
- ✓ contain a statement by the charity trustees as to whether they have complied with the duty in section 4 of the 2006 Act to have due regard to guidance on public benefit published by the commission

All charities preparing accounts on an accruals basis should also refer to the applicable SORP for any additional requirements for what the SORP terms 'larger charities' (currently gross income of £500,000 or more).

#### **7.3.2 Matters that charities subject to statutory audit must also report**

The annual report should provide a coherent explanation of the charity's strategies for achieving its aims and objectives and it should explain how the activities it undertook contributed to their achievement.

In particular, the report must also report:

- ✓ an explanation of the charity's main objectives for the year
- ✓ an explanation of the charity's strategies for achieving the stated objectives
- ✓ a review of the significant activities undertaken by the charity during the financial year to further its charitable purposes for the public benefit or to generate resources to be used to further its purposes
- ✓ where the charity conducts a significant amount of its activities through grant-making, the charity must explain its grant-making policy
- ✓ details of any significant contribution of volunteers to these activities

### **7.4 Achievements and performance**

#### **7.4.1 Matters that all charities must report**

Charities that are not subject to a statutory audit requirement may limit their disclosures within this section to a brief summary of the achievements of the charity during the year.

All charities preparing accounts on an accruals basis should also refer to the applicable SORP for any additional requirements for what the SORP terms 'larger charities' (currently gross income of £500,000 or more).

#### **7.4.2 Matters that charities subject to statutory audit must also report**

- ✓ details of the achievements of the charity during the year, measured by reference to the aims and objectives which have been set

### **7.5 A financial review**

#### **7.5.1 Matters that all charities must report**

- ✓ policy on reserves stating the level of reserves held and why they are held; where material funds have been designated, the reserves policy statement should quantify and explain the purposes of these designations, and where set aside for future expenditure, the likely timing of the expenditure - where no reserves policy is in place, a statement should be made to that effect
- ✓ where any fund is materially in deficit, the circumstances giving rise to the deficit and details of the steps being taken to eliminate the deficit

All charities preparing accounts on an accruals basis should also refer to the applicable SORP for any additional requirements for what the SORP terms 'larger charities' (currently gross income of £500,000 or more).

#### **7.5.2 Matters that charities subject to statutory audit must also report**

The annual report must comment on the significant events that have affected the financial performance and financial position of the charity during the reporting period. In particular the report must explain:

- ✓ investment performance in the year
- ✓ where material investments are held, a description of the policies (if any) which have been adopted for the selection, retention and realisation of investments including the extent to which the charity takes social, environmental or ethical considerations into account in its investment policy
- ✓ details of the principal sources of income of the charity
- ✓ a statement confirming that the major risks to which the charity is exposed, as identified by the trustees, have been reviewed, and systems or procedures have been established to manage those risks

## **7.6 Funds held as custodian trustee on behalf of others**

### **7.6.1 Matters that all charities must report**

Where a charity is or its trustees are, acting as custodian trustees, the following matters should be disclosed in the report:

- ✓ a description of the assets which they hold in this capacity
- ✓ the name and objects of the charity (or charities) on whose behalf the assets are held and how this activity falls within their own objects
- ✓ details of the arrangements for safe custody and segregation of such assets from the charity's own assets

## **7.7 Public benefit statement**

### **7.7.1 Matters that all charities must report**

Where this is treated as a separate section of the report, a statement confirming whether the charity trustees have complied with their duty to have due regard to the guidance on public benefit published by the commission in exercising their powers or duties.

## **7.8 Plans for future periods**

### **7.8.1 Matters that all charities must report**

To comply with the Regulations, only charities subject to statutory audit are required to provide details of plans for future periods. However, all charities preparing accounts on an accruals basis should also refer to the applicable SORP for any additional requirements for what the SORP terms 'larger charities' (currently gross income of £500,000 or more).

### **7.8.2 Matters that charities subject to statutory audit must report**

- ✓ a summary of the charity's plans for the future, including its aims and objectives and details of any activities planned to achieve them

## **7.9 Information on fundraising practices that auditable charities must disclose**

All auditable charities that raise funds from the public must provide the following information in their trustees' annual report for financial years beginning on or after 1 November 2016:

- ✓ the fundraising approach taken by the charity, or by anyone acting on its behalf, and whether a professional fundraiser or commercial participator carried out any fundraising activities
- ✓ details of any fundraising standards or scheme for fundraising regulation that the charity has voluntarily subscribed to
- ✓ details of any fundraising standards or scheme for fundraising regulation that any person acting on behalf of the charity has voluntarily subscribed to
- ✓ details of any failure by the charity, or by any person acting on its behalf, to comply with fundraising standards or scheme for fundraising regulation that the charity or the person acting on its behalf has voluntarily subscribed to
- ✓ whether the charity monitored the fundraising activities of any person acting on its behalf and, if so, how it did so
- ✓ the number of complaints received by the charity, or by a person acting on its behalf for the purposes of fundraising, about fundraising activity
- ✓ what the charity has done to protect vulnerable people and other members of the public from behaviour which:
  - is an unreasonable intrusion on a person's privacy
  - is unreasonably persistent
  - places undue pressure on a person to give money or other property

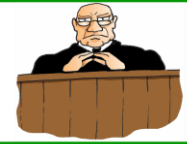
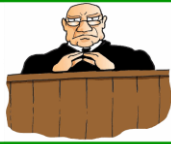
## **7.10 Additional reporting requirements where group accounts are prepared**

7.10.1 Where group accounts are prepared on a voluntary basis there are no additional disclosures required by the Regulations, however SORP requires that where group accounts are prepared the annual report includes the following points:

- ✓ the relationship between the charity and related parties, including its subsidiaries
- ✓ when considering the objectives and activities, and the strategies and activities undertaken to achieve them, where significant activities are undertaken through subsidiary undertakings these should be explained
- ✓ when setting out the achievements and performance of the charity and the group, the information provided enables the reader to understand and assess the achievements of the charity and its subsidiary undertakings in the year
- ✓ when setting out the financial review, the review is of the financial position of the charity and its subsidiaries

7.10.2 Where group accounts must be prepared because the income of the group exceeds the threshold for preparing group accounts, all the items set out in section 4.1 should be covered and the Regulations require the annual report to consider both the parent charity and its subsidiary undertakings together.





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