



Challenges and uncertainties

Surveying trustees' annual reports in the charity sector

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Foreword

This past year has been one of change as charities tackled the introduction of FRS 102 and a new Statement of Recommended Practice (SORP). Charities have been challenged to provide a clear vision with balanced reporting of achievements, successes and lessons learned.

In our previous survey, we reflected on the poor use of key performance indicators (KPIs) in reports and questioned whether charities could 'raise the bar' when telling their story under the new SORP. You will see from our review that KPIs remain under used across the sector, with around only a third of larger charities reporting against at least one KPI (where a target was clearly set and reported against). However, when considering key management personnel disclosures, how the charity mitigates risks, the details provided on reserves, reports have become more transparent in compliance with the new SORP.

This is our first survey under the new SORP and we look at the transition and compliance with the new SORP across a range of areas, focussing on the trustees' annual report, but sometimes considering the information provided in the statement of financial activities (SOFA), balance sheet and notes to check the consistency of presentation and information throughout the trustees' reporting.

If you are a charity, we recommend that you study the findings of this survey and then attempt to benchmark your own reporting against it. The result may surprise you; it may also give you more ideas as to what you could include in your annual reports. However, while a survey is full of interesting information, the result of any survey that is based on the random selection of samples ought to be treated with care.

All of the charities surveyed have websites and 95% have financial information available on their website as well as accounts being available through the Charity Commission. In this digital age of easy access, stakeholders, and future stakeholders, can at a glance cast their judgment over the charity's performance. High quality reporting, demonstrating sound financial management and good governance allows a charity to differentiate itself, prove its value, public benefit and impact on the society in which it operates.

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Section 1 – Executive Summary

The changes driven by the new SORP require transparency and balance in the trustees' annual reports. This provides an opportunity for charities to promote, advertise and celebrate the achievements of the charity. Review is timely as the Charity Commission report on public benefit in charities accounts¹ and consider future SORP requirements²: now is the time of charities to make a splash, tell their story and find their own style.

The purpose of preparing a trustees' annual report and accounts is to discharge the trustees' duty of public accountability and stewardship. The SORP sets out recommended accounting practice for this purpose³. The report gives trustees the opportunity to stake their claim in an increasingly pressured world. A high quality report, providing insight into governance and a necessary link between the income generated and the objectives, strategies, activities and achievements that flow from it, is required.

The survey

This is the first year we have reviewed and reported on trustees' reports under the new SORP and we have chosen our sample from those reporting early and making their accounts publicly available either by filing early at Companies House or with the Charity Commission or by adding their accounts to their own website. The Deloitte review of trustees' annual reports looks at the extent to which 50 of the largest charities are producing reports to achieve both compliance and be an effective communication, and also provides clear guidance on where improvements to reports can be made.

We have sampled from the top 1000⁴ charities and have looked at the transition to FRS 102, prior year adjustments and reporting against the new requirements, considering both those elements that are new and those that were required under the previous SORP.

Compliance

This year has been one of change: not only the implementation of the new SORP and FRS 102 for many, but also a year of focus on fundraising methods culminating in the introduction of new regulation upon which further reporting will soon be required.⁵

This has meant additional work for many charities in both reporting and operations. 66% of charities had to make a prior year adjustment, most commonly relating to holiday pay accruals, pension liabilities for deficit funding agreements and income recognition; and 62% of those charities surveyed with material fundraising, discussed the new legislation and regulations with some consideration of potential impact.

A quarter of charities were judged to have a strong correlation between the narrative in the front half and the activities reported financially in the back half of the accounts. Although all charities reported on their activities for the year and how these met goals or targets in words, only 36% of charities gave information on key performance indicators (KPIs), or reported clearly against targets or goals and presented a clear result for scrutiny. Partial information, a target without a specific result, the year's result and a comparative do not tell the whole story. It is not always clear whether the intervention or activity was successful or whether it was more or less successful than anticipated. There were however a number of KPIs reported, but not met, which did demonstrate the balance of reporting required by the new SORP.

However charities have addressed the old and new requirements set out in the SORP and compliance was high but not perfect in a number of areas: 80% of charities gave risks and mitigating factors, 90% included key management pay policies, 96% included some comment on the appointment of trustees and 92% discussed the induction process. 82% reported on public benefit, including both a statement of compliance and some further information on activities and beneficiaries.

1. Charity Commission Accounts Monitoring review: Telling your story well: public benefit reporting by charities

2. Closed 2016 Charity Commission consultation seeking views on how the SORP can be further improved

3. Note that for periods commencing on or after 1 January 2016 the FRSSE has been withdrawn and the FRSSE SORP is no longer available to charities. As a result throughout reference is only made to the FRS 102 SORP, although the FRSSE SORP was available for the year being surveyed

4. The methodology of the sample is covered in more detail in section 3.

5. Guidance is given in Appendix 1 on the fundraising disclosures.

Clear vision

Only one charity in our sample had a paid trustee and fully disclosed that in both the trustees' report and the notes to the accounts. One other charity disclosed that it was making an application to the Charity Commission to be allowed to pay its trustees. As the reporting requirements, laws and regulations increase the need to have high quality, dedicated volunteer trustees becomes more of a challenge. As the corporate world focusses on women in the board room, we note that about a third of trustees across our sample were women.

Only 10% of charities surveyed had no financial information on their website (and the accounts of those charities were all considered not visually attractive). 88% had accounts available to download and 36% had annual reviews available to download. 70% of charities had either visually attractive accounts or an annual review. However, only 38% of charities used graphs, and 30% included case studies to bring their stories to life. No charity outside the top 200 charities included an overview or highlights page.

As charities embrace the second year of the FRS 102 SORP, we continue to challenge trustees to understand their audience, stakeholders and the impact of their reporting. Reports are not just a statutory requirement they provide an opportunity to weigh up the year, balance achievements with challenges, risks with reserves and provide a clear vision for the future.

If you would like more detailed information or are seeking advice on specific application of the principles of the SORP, please contact Reza Motazedi (rmotazedi@deloitte.co.uk or **020 7007 7646**) or any of the contacts listed in Appendix 3.

Reports are not just a statutory requirement they provide an opportunity to weigh up the year, balance achievements with challenges, risks with reserves and provide a clear vision for the future.

Section 2 – Reporting Requirements

This year has been a year of change and potentially an opportunity for reflection as FRS 102 has been adopted by the vast majority of charities included in our sample. This section summarises the regulatory requirements for narrative reporting applicable to charities subject to statutory audit in the United Kingdom.

The requirements stem from four main sources:

- the Charities Statement of Recommended Practice FRS 102;
- the Companies Act 2006 (applicable to charitable companies only);
- the Charities (Protection and Social Investment) Act 2016 and any update bulletins; and
- the Charity Commission's guidance on public benefit reporting.

Charities SORP

The FRS 102 was the main source of requirements for charity accounting and disclosure for the accounts under review. The SORP reflects the significant changes that apply to UK reporting for periods commencing on or after the 1 January 2015.

Although the SORP has not been written as a one stop shop it clarifies charity requirements through the 'must', 'should' and 'may' phrasing and provide guidance on the application of FRS 102 for charities. In certain areas, for example leases, there is little information in the SORP and charities must refer to the UK accounting guidance directly. An update bulletin to the SORP has already been issued reflecting the changes in UK GAAP applying for the periods commencing on or after the 1 January 2016 and giving an exemption from preparing the statement of cash flows to charities with an income of less than £500,000.

The new SORP requires a number of additional disclosures in the trustees' report which is key to charity reporting.

The SORP states that charity financial statements should be accompanied by information contained within the trustees' annual report as many of a charity's activities cannot be described in pure monetary terms. The trustees' annual report should provide a fair review of the charity's structure, aims, objectives, activities and performance to summarise what the charity has achieved in the year and what impact it has made.

The responsibility for preparing the trustees' annual report rests with the charity trustees. As it provides important accompanying information to the financial statements it should be attached to them whenever a full set of financial statements is distributed or otherwise made available.

Paragraphs 1.14 to 1.53 of the Charities SORP summarise the specific content of the trustees' annual report and are summarised into the following seven categories:

1. Objectives and activities.
2. Achievements and performance.
3. Financial review.
4. Reference and administrative details.
5. Structure, governance and management.
6. Exemptions from disclosure.
7. Funds held as custodian trustee on behalf of others.

We have included a checklist for the trustees' report, based on the FRS 102 SORP, in Appendix 1.

Companies Act 2006

Charities that are also companies are, in addition, required to disclose specific matters in accordance with the Companies Act 2006. These are covered in sections 414A to 419 of the Companies Act 2006 and the relevant accounting regulations (Schedule 7 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 or Schedule 5 of the Small Companies and Groups (Accounts and Directors' Report) Regulations 2008).

Large and medium-sized charitable companies⁶ are also required by the Companies Act 2006 to prepare a separate strategic report in addition to the directors' report required for all companies.

A separate statutory strategic report or directors' report does not need to be prepared for charitable companies provided that the trustees' annual report contains all the information required to be provided under the Companies Act 2006 and that the strategic report is clearly identified within the trustees' annual report and separately approved by the trustees.

A summary of the Companies Act 2006 requirements is included in Appendix 2.

Charities (Protection and Social Investment) Act 2016

Under the provisions of section 13 of the Charities (Protection and Social Investment) Act 2016 charities must include extra information on their fundraising practices in the trustees' annual report. It applies to all charities who must have their accounts audited for periods beginning on or after 1 November 2016. Early application is permitted. Disclosures include:

- 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 to which the charity has voluntarily subscribed;
- details of any fundraising standards or scheme for fundraising regulation to which any person acting on behalf of the charity has voluntarily subscribed;
- 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 to which the charity or the person acting on its behalf has voluntarily subscribed;
- 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; and
- 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; or
 - places undue pressure on a person to give money or other property.

The Charity Commission has updated CC20 *Charity fundraising: a guide to trustee duties* to cover the new regulations. We have included the disclosure required in our checklist in Appendix 1.

Public Benefit Reporting

The Charity Commission published⁷ guidance on public benefit reporting, where it commented that the Charities Act states that charity trustees must "have regard" to the Commission's public benefit guidance "when exercising any powers or duties to which the guidance is relevant". The relevant regulations⁸ require charity trustees to confirm that they have done so in their trustees' annual report. "Having regard" to the public benefit guidance means charity trustees should be able to show that:

- they are aware of the guidance;
- they have taken it into account when making a decision to which the guidance is relevant; and
- if they have decided to depart from the guidance, they have good reasons for doing so.

6. Small charitable companies as defined by section 382 of the Companies Act 2006 are exempt from the strategic report requirements, broadly those within two out of three of the following limits: for periods commencing on or after 1 January 2015: income of less than £6.5m; funds less than £3.24m and less than 50 employees; for periods commencing on or after 1 January 2016: income of less than £10.2m; funds less than £5.1m and less than 50 employees

7. <https://www.gov.uk/government/collections/charitable-purposes-and-public-benefit>

8. Charities (Accounts and Reports) Regulations 2008

Public benefit reporting remains an integral part of what every charity does and should be integrated into any overall report of the charity's activities and performance during the year. Scottish charities are not required to report explicitly in their accounts on public benefit.

Other Guidance

Guidance on Going Concern and Liquidity Risk

The FRC has published best practice guidance on the going concern basis of accounting and reporting on solvency and liquidity risks for companies that do not apply the UK Corporate Governance Code⁹. This guidance highlights best practice for directors making the going-concern assessment and examples for drafting disclosures. The guidance states that the assessment process 'should be proportionate to the size, complexity and the particular circumstances of the company', but that it should be 'documented in sufficient detail to explain the basis of the directors' conclusion'. The guidance also highlights the link between going concern and the reporting of risks and uncertainties.

The new SORP¹⁰ states that:

The trustees must make their own assessment of their charity's ability to continue as a going concern to assure themselves of the validity of this assumption when preparing their accounts. In making this assessment, a charity's trustees should take into account all available information about the future for at least, but not limited to, 12 months from the date the accounts are approved.

Reporting risks and uncertainties

The Charity Commission has also issued guidance to trustees on risk management¹¹. The guidance repeats the SORP requirement that all charities that are audited are required to produce a risk management statement as part of their trustees' annual report. It has not been updated subsequent to the issue of the new SORP. The new SORP states that all larger charities must give a description of the principal risks and uncertainty facing the charity and its subsidiary undertakings, as identified by the charity trustees, together with a summary of their plans and strategies for managing those risks, only charitable companies had been required to do this previously.

Future accounting and reporting developments

A consultation on how the SORP should develop closed on 11 December 2016. The questions asked respondents to reflect on their experiences in application this year and suggest areas that may further improve reporting, these ideas include the introduction of a key facts summary and more detail on going concern and reserves amongst others.

Another consultation on a new Charity Governance Code closed in February 2017 and the steering group has now finalised the code. The new Code will replace the previous voluntary sector code *Good governance: a code for the voluntary and community sector*. The Charity Commission has withdrawn CC10 *Hallmarks of an effective charity* and refers charities to the Code as setting out relevant standards of good practice.

The charity governance code has seven fundamental principles: Organisational purpose, leadership; integrity; decision making, risk and control; diversity; board effectiveness; and openness and accountability. The code structure reflects the style of the corporate governance code and larger charities will be encouraged to publish a statement, in their annual report, saying how they applied the Code and explaining their alternative approach in areas where they do not follow the Code's recommended practice. This is not however a legal. There are two versions of the code for larger and smaller charities and it is expected that charities with a typical annual income of over £1 million and externally audited accounts will use the larger version of the Code.

9. <https://www.frc.org.uk/Our-Work/Publications/Accounting-and-Reporting-Policy/Guidance-on-the-Going-Concern-Basis-of-Accounting.pdf>

10. SORP 3.14

11. CC26 Charities and Risk Management: A guide for trustees <https://www.gov.uk/government/publications/charities-and-risk-management-cc26>

Section 3 – The Survey's objectives and basis

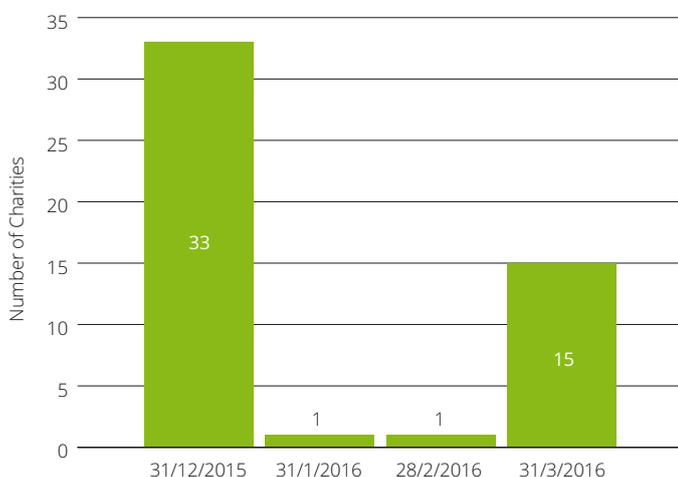
The main objective of the survey was to consider how particular requirements regarding the content of the trustees' annual report as required by the FRS 102 SORP have been applied by charities.

In previous years, we also considered a number of additional areas such as going concern disclosures, key management personnel, KPIs and risk disclosures which are now incorporated in the SORP requirements. We have not considered the specific Companies Act 2006 requirements regarding matters required to be disclosed in either the strategic or directors' report aside from the reporting of Key Performance Indicators (KPIs) .

We have provided results split by top 100 charities, charities ranked 101-200 and other charities in the top 1000 for the interest of the reader.

The survey was conducted by obtaining a list of the Top 1000 charities by income in the United Kingdom from the Top 3000 Charities publication produced by CaritasData. The sample selected comprised 50 charities from the list of the top 1000 charities by income who had already published their accounts on their website or submitted their accounts to the Charity Commission or Companies House. Ten of these 100 charities were randomly selected from the top 100 charities, ten from charities ranked 101 to 200 and the remainder from charities ranked 201 to 1000. There was a change in the sample selected to focus on charities with December and March year ends who made their accounts public early, leading the implementation, of the SORP. As a result the charities reviewed are not directly comparable to prior years and trends may not be reflected.

The split of the charities surveyed by year end was as follows:



Section 4 – Survey results

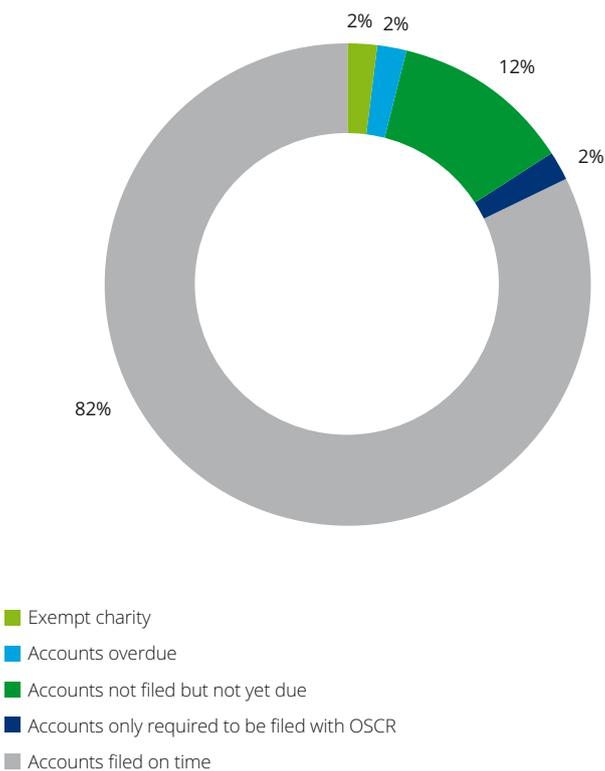
This section sets out our survey findings in respect of the elements of the trustees' annual report.

4.1. Time to report

The deadline date for submission of the financial statements to the Charity Commission is ten months after the date of the year end. Where relevant, company accounts are required to be filed at Companies House nine months after the date of the year end. We were unable to determine the dates that the financial statements were filed with OSCR (where relevant) as this information is not made available on OSCR's website.

The bias in the sample towards those filing promptly, (as discussed in section 3) meant so that the median length of time taken to approve the accounts at 108 days was considerably faster than the 155 days in our previous surveys. The slowest time to approval in our sample being 237 days and the fastest time to approval being 55 days.

Figure 1. What was the status of accounts with the Charity Commission snapshot November 2016?



From our early snapshot, 14% of charities had made their accounts publicly available on their website prior to filing with the Charity Commission and 4% prior to filing at Companies House. One set of accounts was overdue for filing with the Charity Commission. All sets of accounts have now been filed.

Once signed it took the charities samples a median time of 6 more days to file with the Charity Commission and 51 days to file at Companies House.

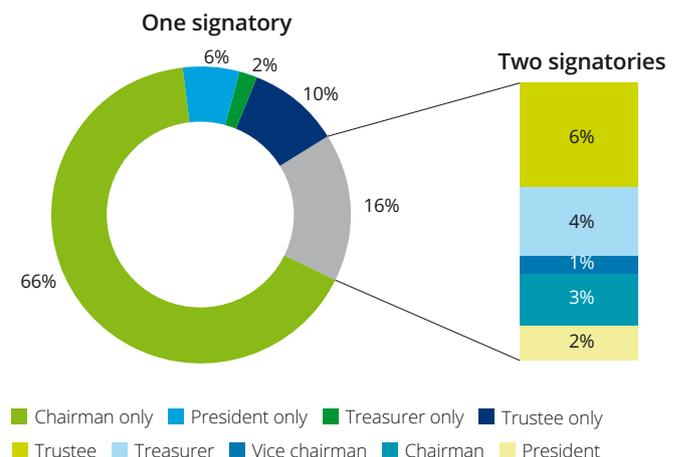
4.2. Signing of the trustees' annual report and financial statements

The Charities SORP requires that both the annual report and accounts be approved by the charity trustees as a body and should be signed on behalf of the charity's trustees by one of their number authorised so to do or as otherwise required by law but does not require any particular trustee to sign the report.

Our review looks at the signatures across the whole of the financial statements, trustees' report and any strategic report (for medium and large charitable companies), see section 4.3 below.

In 84% of our sample one trustee signed both the trustees' report and the balance sheet on behalf of all the trustees; in 72% of reports this was the chairman or president. 16% of reports had two or more signatories. Of those reports there were more varied signatories including treasurer, secretary and trustee. The most signatories any report included was three.

Figure 2. Who signs the trustees' annual report? (%)

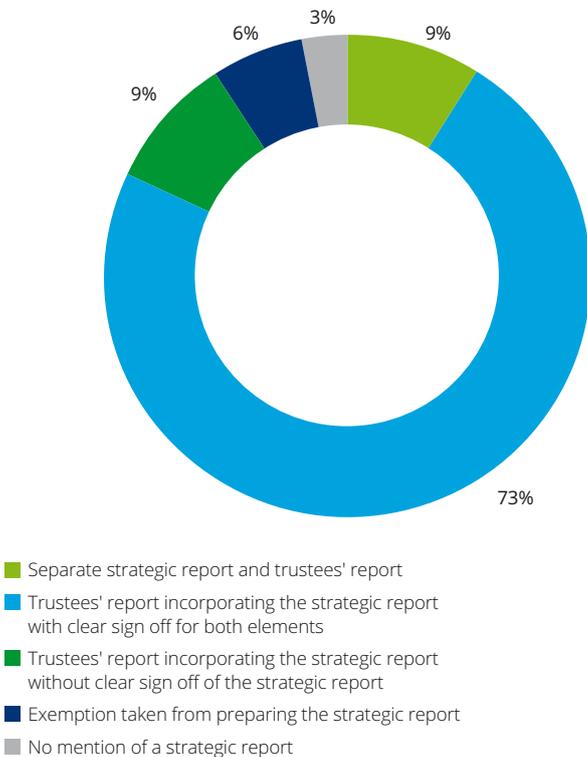


4.3. The strategic report

68% of the charities within our sample were charitable companies. Of those 3% did not refer at all to the strategic report. Charity Commission guidance dictates that where a separate strategic report is not prepared the approval of the trustees report should specifically refer to the approval of the strategic report. 9% the charitable companies in our sample did not include this specific approval.

Of those in our sample preparing a strategic report, only 9% prepared and signed a separate strategic trustees' report.

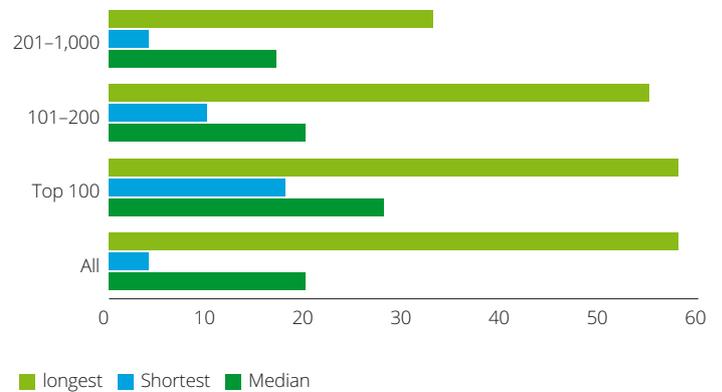
Figure 3. Has the strategic report been separately prepared and signed? (%)



4.4. Length of the trustees' annual report

The median length of the combined financial statements and the trustees' annual report surveyed was 48 pages. The median length of the trustees' annual report was 20 pages. The longest trustees' annual report and accounts at 102 pages was produced by a charity in the top 100. The shortest report and accounts was 16 pages long. Figure 4 shows that, as would be expected, trustees' annual reports tend to be longer for top 100 charities.

Figure 4. Length of the trustees' annual report, including the strategic report (pages)



In addition, we looked at the amount of additional information provided by charities. A variety of additional information was included, for example 36% of charities included a chair's introduction and 18% a chief executive report. A research exercise on the FRS102 Charities SORP carried out by the Charity Commission, CIPFA and OSCAR included a question on whether a key facts summary would be useful. We found that 30% of our sample already included an executive summary, overview or highlights page(s) which provided key information.

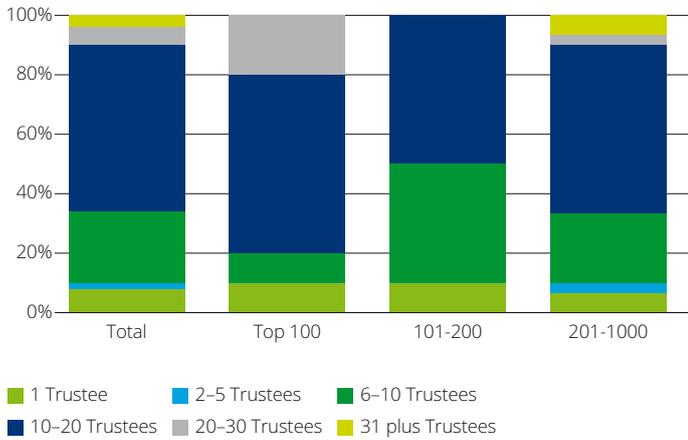
4.5. Trustees, reference and administrative disclosures

The SORP requires charities to disclose details about the names of the trustees and other members of the senior management team to whom day to day management is delegated.

93% of charities surveyed clearly disclosed their current and former trustees or confirmed that there were no changes. Of the 8% of charities surveyed who had a corporate trustee, all disclosed the names of the directors of that corporate trustee or trustees.

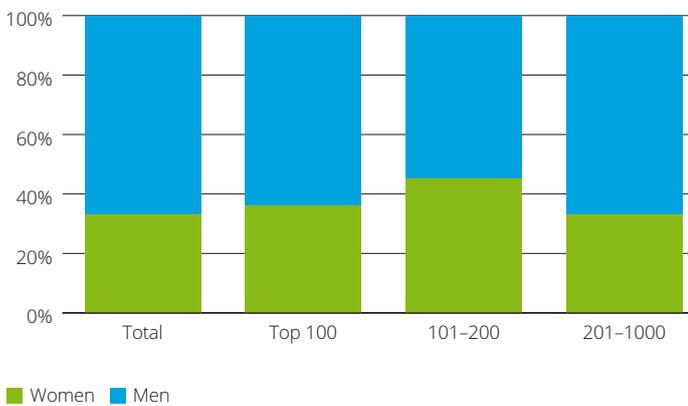
The median number of trustees was 12, with the maximum being 34 and the minimum 4, excluding those with a corporate trustee.

Figure 5a. Number of trustees (%)



This year we have also looked at the percentage of women on the board of trustees. 85% of charities surveyed with trustees gave sufficient detail, first name or title for us to identify the number of female trustees. The maximum number of female trustees was 87% and the minimum none. The median was 33%.

Figure 5b. Male to female trustees (%)



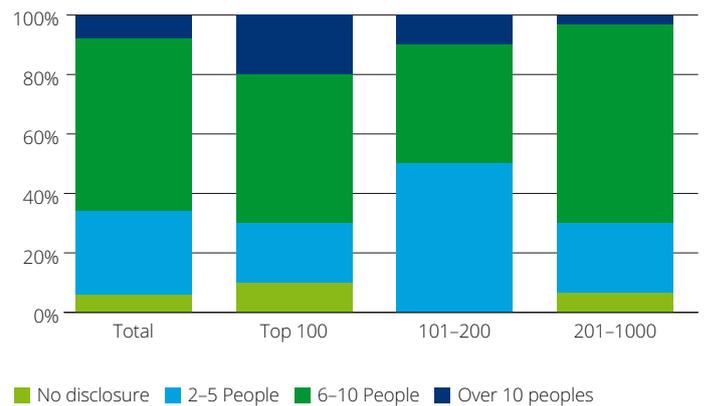
The SORP also requires disclosure of a number of administrative matters, such as the name of the charity, the registration number, address and the names and addresses of its professional advisers. Of those charities surveyed 78% included a separate legal and administrative section. However, with the exception of the professional adviser details the information was often repeated on covers and in the body of the report. All charities surveyed disclosed the relevant reference and administrative details.

4.6. The executive team

The introduction of the new SORP has increased the amount of disclosure around key management, including the need to disclose the pay policy for key management and the aggregate benefits paid, including national insurance contributions and pension contributions.

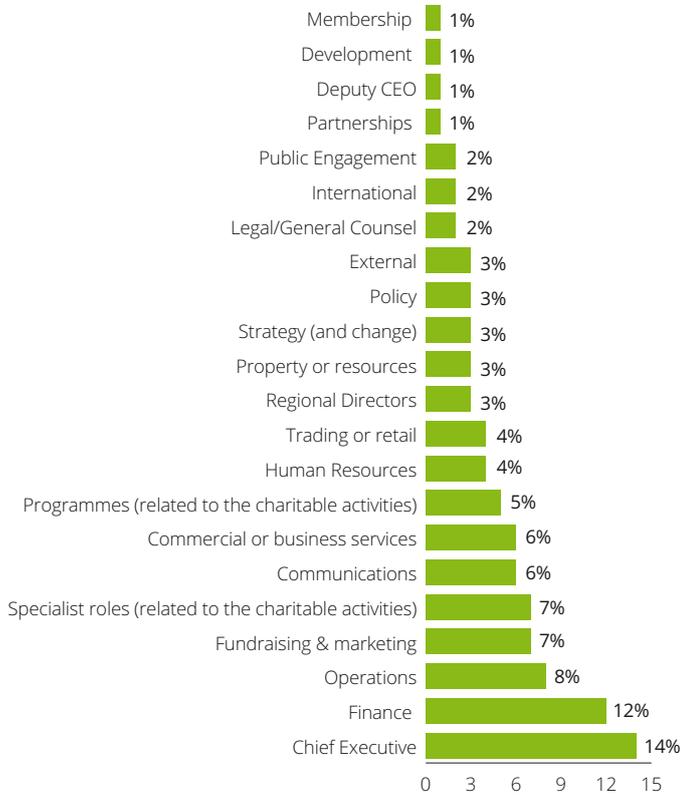
82% of charities surveyed disclosed the names or roles of the members of the senior management team to whom day to day management of the charity is delegated. Of the remainder two thirds disclosed the number of key management and the remainder referred to the chief executive and senior teams. Of those charities disclosing the number of key management personnel and the median number of people listed was 7, the maximum 16 and the minimum 3.

Figure 6a. Members of the senior management team (%)



The charities surveyed had a broad spectrum of directors. All charities named their chief executive or equivalent and 88% of charities named a finance director.

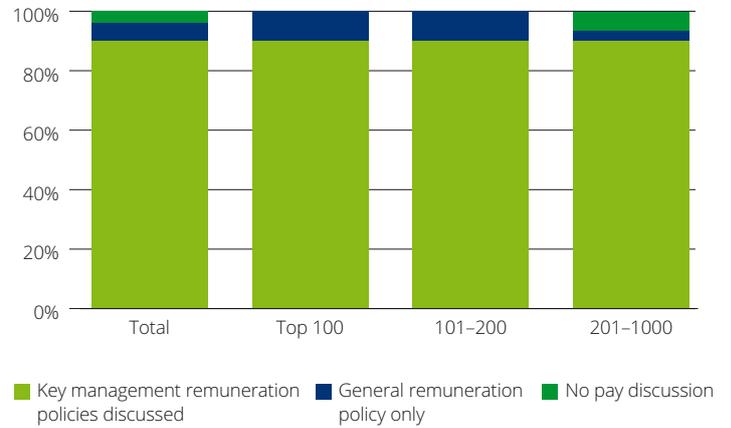
Figure 6b. Members of the senior management team (by title)



Just over 50% of those surveyed naming roles had operations and fundraising directors and 49% of charities named specialist roles, such as a veterinary, medical or artistic directors related directly to the charitable aims of the charity.

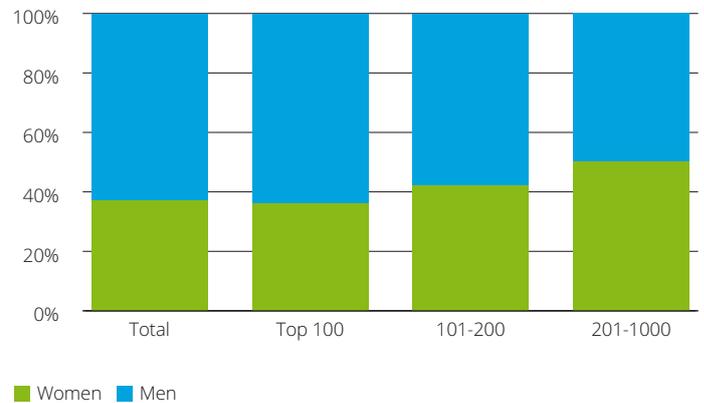
90% of our sample included a discussion of their arrangements for senior management remuneration, and an additional 6% gave remuneration policies although they did not specifically mention key management personnel or equivalent in their policy.

Figure 6c. Charities including a discussion of management pay (%)



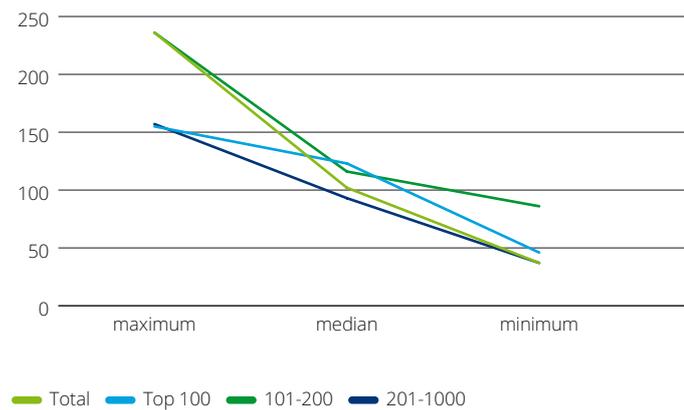
As with trustees we have also looked at the split between male and female senior management. The highest percentage of women in key management positions was 80% and the lowest none. The median was 38%, with the charities in the 201-1000 banding in our sample having marginally higher female representation.

Figure 6d. Male to female key management personnel (%)



In our sample 8% of charities did not disclose the aggregate benefits of their key management personnel. None offered an explanation for this omission. A further 10% disclosed the aggregate pay but did not describe clearly who the key personnel were. Some descriptions just vaguely referred to the executive team and others which had clearly listed the executive team in the reference and administrative details then noted that key management personnel included the chief executive, executive team and heads of department with no detail of the number of heads of department included. One charity described its key management personnel as a team of five and then disclosed the employment benefits for only the chief executive and the director of finance. The median average salary paid to key management personnel was just over £100,000 in the charities sampled.

Figure 6e. average salaries paid to key management personnel¹² (%)



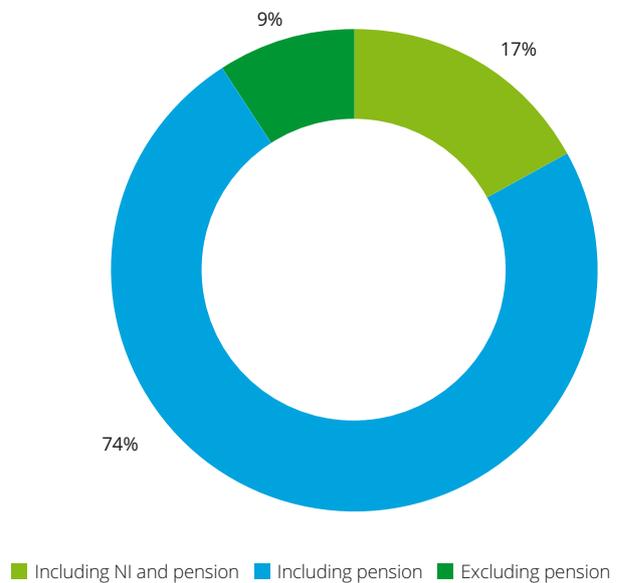
However we would note there was inconsistency in the disclosures as it was not clear in all cases what the charity was including in the calculation. The SORP glossary defined employee benefits as follows:

Employee benefits are all forms of consideration paid by a charity in exchange for the service rendered by employees, including trustees, and include all remuneration, salary, payments made. For employers with employee members of a defined benefit pension scheme, employee benefits include the change in the net defined benefit liability arising from employee service rendered during the reporting period and the cost of plan introductions, benefit changes, curtailments and settlements.

This is a different base from the bandings disclosure which is just salary and benefits, excluding pension contributions. Of the charities sampled half gave more information about what was included in the calculation of aggregate salaries. Of those giving more explanation 17% included both national insurance and pension costs, 74% included pension costs and 9% specifically stated that they were excluding pension costs.

This variety of calculation methods means that the aggregate salary information is unlikely to be directly comparable between organisations.

Figure 6f. number of charities including explanation of the aggregate salary calculation (%)



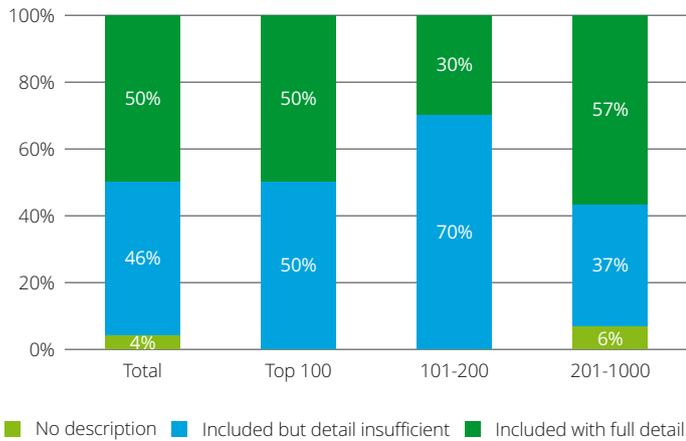
12. Aggregate salary for key management personnel divided by number of key management personnel. Note these figures will be inconsistent as some included NI and pension contributions, some excluded them and some did not make clear what was included or excluded

4.7. Structure, governance and management

As part of the SORP requirements on the structure, governance and management of the charity, there is a requirement that the trustees' annual report provides the reader with an understanding of how the trustees are appointed and trained. Of the charities surveyed, 96% complied with the requirement to explain the method of appointing trustees and 92% included details of the procedures for the induction and training of trustees.

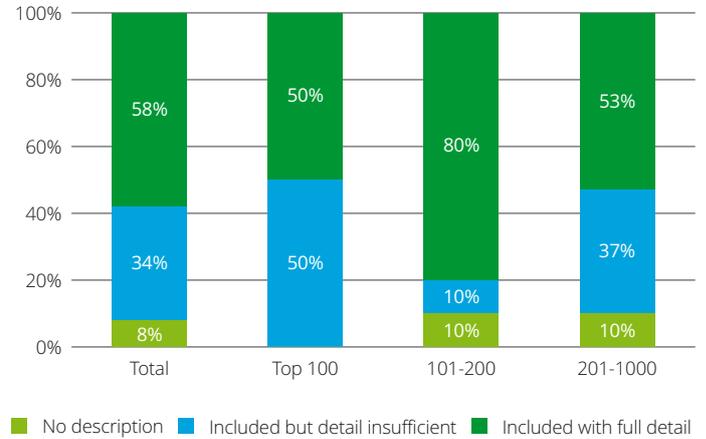
Although the significant majority of charities complied with the SORP requirements, compliance remained in many cases minimal. 46% of charities were considered to give insufficient detail about appointment and recruit to be easily understood: charities disclosing that trustees are elected in accordance with the articles or by other trustees without any further explanation of how individuals may be nominated, selected or assessed. Fuller information was given on induction procedures, (by those complying) with only 34% considered to give only summary details.

Figure 7a. Recruitment of trustees (%)



96% complied with the requirement to explain the method of appointing trustees and 92% included details of the procedures for the induction and training of trustees.

Figure 7b. Training and induction of trustees (%)

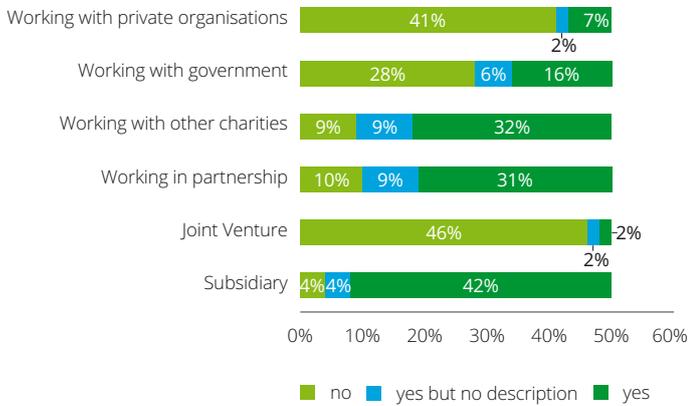


These requirements have been in place for 10 years and remain 'musts' under the new SORP (all charities for the recruitment of trustees, and induction for those larger charities), yet a small proportion of our sample did not comply.

4.8. Charities part of a wider network

The SORP requires that where the charity is part of a wider network (for example charities affiliated within an umbrella group) then the relationship involved should also be explained where this impacts on the operating policies adopted by the charity. Of the charities surveyed, 54% considered themselves part of a wider network, but, excluding subsidiary relationships, 6% did not mention any partnership or joint working. Most charities mentioned some partnership work with other charities, government to help deliver their charitable aims. The variety of relationship reflected in the trustees' reports is shown below.

Figure 8. Charities' networks (%)



The partnership work with private organisations was focussed around fundraising, sponsorship, influencing and profile raising. No instances of joint delivery of services with a private organisation was identified during the review.

4.9. Trustee remuneration and contribution

One key type of related party to any charity will be the trustees. In addition to the trustees' annual report disclosures, the Charities SORP includes requirements relating to the disclosure of the level of trustees' expenses and remuneration and in view of the level of interest in these items the relevant notes to the financial statements were reviewed.

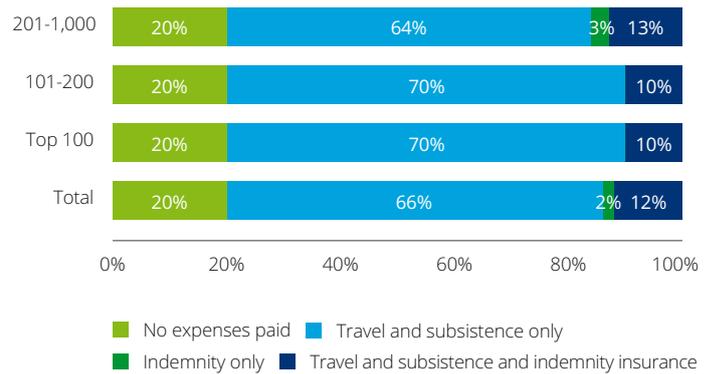
Of those charities surveyed, 2% paid trustees' remuneration which was disclosed in the notes to the financial statements and explained in the trustees' report. A further 2% included in their trustees' report a statement that Charity Commission approval was being sought so that trustees could be remunerated.

78% of charities surveyed paid trustees expenses. Of the remaining 22% who did not pay trustees expenses, 16% stated explicitly that they made no payments and the remainder made no comment.

The main type of expenses reimbursed to trustees was travel, subsistence and other directly reimbursed expenses, which were incurred by 85% of those charities surveyed. Charities must disclose the amount paid, the nature of the expenses and the number of trustees paid. However, a number of disclosures were incomplete, most often with charities omitting the number of trustees paid and one charity in our sample stated that trustees were paid expenses but did not disclose the amount paid.

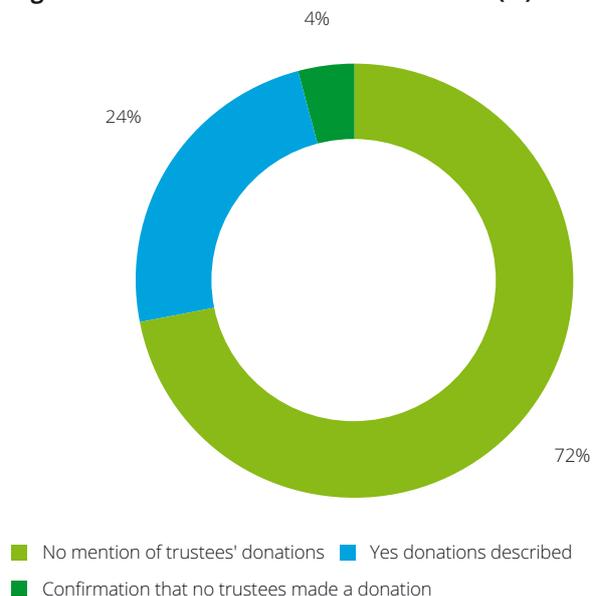
There is a disparity in the treatment of trustee indemnity insurance as some charities included this in their trustees' expenses disclosure while others noted that it was included within a general premium and did not disclose the amount.

Figure 9a. Type of trustees' expense (%)



The new SORP also requires disclosure about donations from trustees. Not only must donations with conditions be disclosed, but charities must provide an aggregate disclosure of the total amount of donations received without conditions. This requirement was clarified (after the issue of the reports surveyed) in Information Sheet 1 to state that the aggregate disclosure was only necessary where the total amount of donations received were judged to be material in the context of the total income from donations and legacies. No charity surveyed identified any donation with a condition that required disclosure.

Figure 9b. Disclosure of trustees' donations (%)



4.10. Payments to employees and higher paid employees

The new SORP requires a discussion of key management remuneration policies and the total aggregate key management benefits as discussed at 4.6. The requirements to disclose total wages and salaries and the number of employees paid over £60,000 in bandings of £10,000 is still applicable.

In our survey we have looked at the average pay per employee (calculated by taking the total (for the charitable group where applicable) wages and salaries costs, divided by the number of employees disclosed (group where applicable)) and that of those paid over £60,000 to provide some benchmarking data for charities. The higher paid employee calculation is based on the number of employees multiplied by the mid-point of each disclosed banding.

Figure 10a. Median pay per employee, disclosed higher paid employees and key management personnel (%)



Median pay per employee was around £27,000 for all charities. The median per higher paid employee was £84,000 and £102,000 for key management personnel.

The median for higher paid employees was higher in our sample for the middle 101-200 charities. However figures were consistent between the top 100 charities and those ranked 201-1000 banded charities in our sample, £80,000 and £81,000 respectively with 201-1000 charities having a slightly higher median. This trend was not however repeated for the key management personnel who were higher paid on average in the top 100 charities.

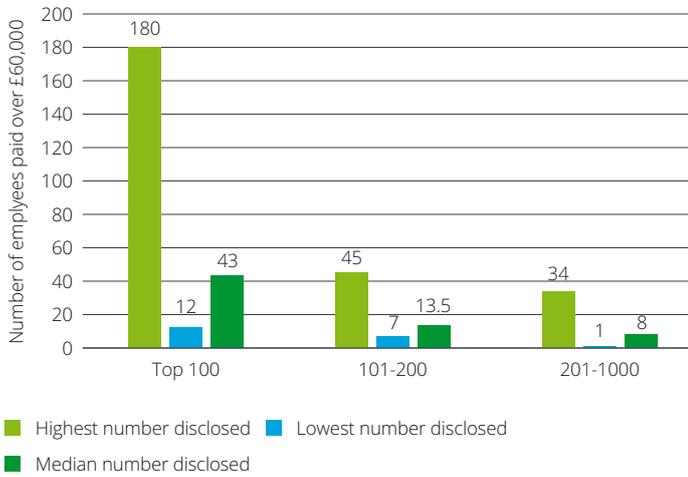
However, when looking at the extremes the highest paid director in the top banding is paid more than the highest paid director in the 101-200 banding and the 201-1000 bandings. The mid-point of the bandings disclosed have been used for our analysis below which focussed on the highest paid employee included in the banding. Charities in our sample with no employees have been excluded from the calculations.

Figure 10b. Higher paid employees salary ranges (£'000)



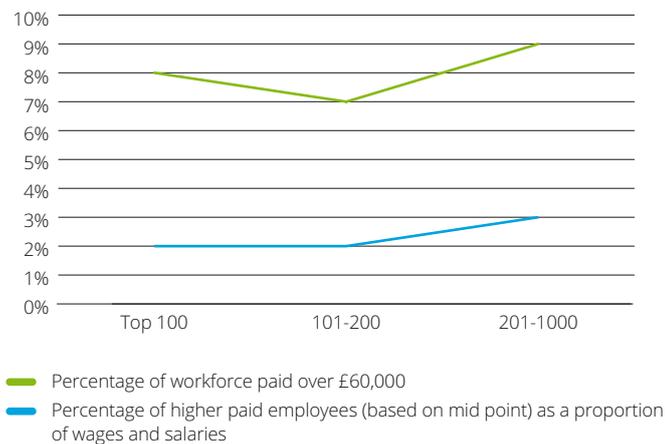
The number of employees included in the higher paid employees disclosure ranged from 180 to 1. All charities in our sample with employees had at least one employee with remuneration of over £60,000. The pattern of number of employees follows the same trend as the highest bandings disclosed.

Figure 10c. Number of higher paid employees disclosed



When considered as part of the overall work force the numbers of higher paid employees represent just less than 3% of those employed and the salaries paid to the higher paid staff represent 8% of the total wage bill. This is illustrated by the band in figure 10d below.

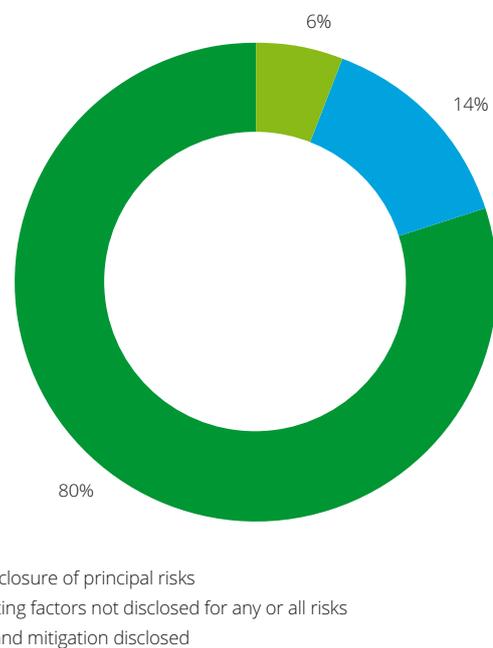
Figure 10d. Total number of higher paid employees per charities sampled as a percentage of the total workforce (%)



4.11. Major risks to which the charity is exposed

Charitable companies have been required¹³ for a number of years to include a description of the principal risks and uncertainties facing the charity, and guidance produced by the Charity Commission recommended that larger charities disclose such information. Under the new SORP the disclosure of principal risks and uncertainties is a “must” requirement for larger charities and those charities are also required to disclose mitigating actions.

Figure 11a. How comprehensive is the discussion of principal risks? (%)



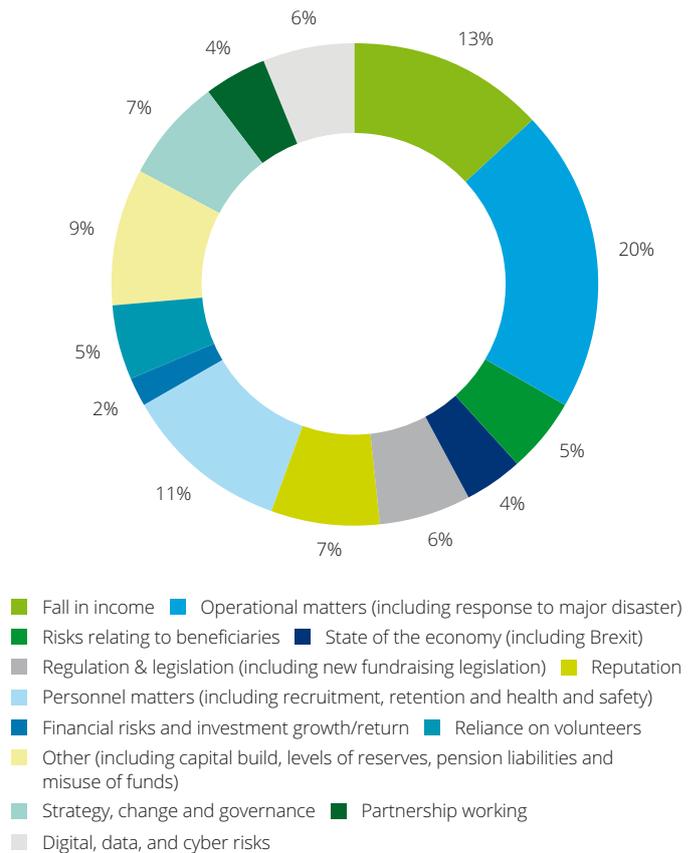
6% of charities surveyed still failed to give details of their principal risks although one did comment on the categories of risk. 14% failed to give mitigating factors for some of all of the risks they listed. The median number of risks disclosed was 4 with the maximum being 13 risks and the minimum 1 risk.

13. Companies Act 2006 s414C.

Top 5 risks for all charities	Top 5 risks for top 100	Top 5 risks for 101-200	Top 5 risks for 201-1,000
Operational matters (including response to major disaster)	Operational matters (including response to major disaster)	Operational matters (including response to major disaster)	Operational matters (including response to major disaster)
Fall in income	Digital, data, and cyber risks	Fall in income	Fall in income
Personnel matters (including recruitment, retention and health and safety)	Fall in income	Personnel matters (including recruitment, retention and health and safety)	Personnel matters (including recruitment, retention and health and safety)
Other (including capital build, levels of reserves, pension liabilities and misuse of funds)	Personnel matters (including recruitment, retention and health and safety)	Other (including capital build, levels of reserves, pension liabilities and misuse of funds)	Other (including capital build, levels of reserves, pension liabilities and misuse of funds)
Reputation	Regulation & legislation (including new fundraising legislation)	Risks relating to beneficiaries	Strategy, change and governance

The specific mention of reputational loss as a risk accounts for 6-8% of the risks, however other risks disclosed (e.g. quality of service provision or safeguarding) have obvious potential to impact on reputation. The wide range of risks disclosed is illustrated in Figure 11c.

Figure 11c. Type of risks disclosed (%)



4.12. Strategy to achieve the charity's objectives

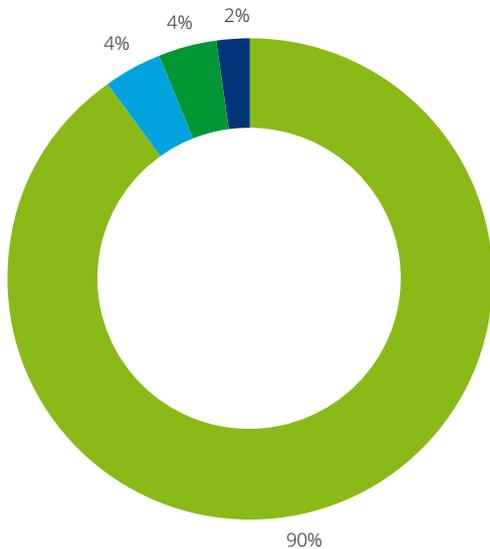
The SORP¹⁴ states:

The report and accounts should not be viewed simply as a statutory requirement or a technical exercise. The report and accounts, when read together, should help users of the information to understand what the charity is set up to do, the resources available to it, how these resources have been used and that has been achieved as a result of its activities.

The most common risk, although varying in detail, concerned the operations of the charity. Further commonality can be seen between the charities in the 101-200 and 201-1000 bands, in the order of most mentioned risks. Noticeably the risks and focus of the charities in the top 100 band varies with emphasis on the emerging digital risks and data risks, coming high up in the list. The new fundraising legislation included in the Charities (Social Investment and Protection) Act 2016 was also identified as a risk for a more significant number of charities in the top 100 band.

14. SORP paragraph 13

Figure 12a. How well are activities described (%)

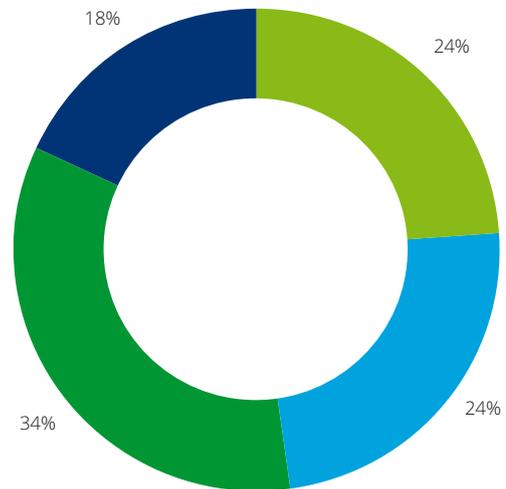


- Yes activities described and related to aims/objectives/purposes AND public benefit
- Yes activities described and related to public benefit but NOT aims/objectives/purposes
- Yes activities described and related to aims/objectives/purposes but NOT public benefit
- Activities described but not clearly related to anything

The discussion of the significant activities in the trustees' annual report should explain the objectives, activities, projects or services identified within the analysis of charitable activities shown in the Statement of Financial Activities (SOFA), tying together resources and achievements¹⁵. Almost a quarter of the charities in our sample achieved this with clear linkage between the activities and achievements described and the financial reporting. A further quarter included details in their trustees' report of some of their activities but less than were included in the financial statements.

Whilst the story of the year might mean that it is appropriate to emphasize one activity over another, the omission of description of some of the activities may lead to lack of balance in the reporting¹⁶. Equally describing activities for which the costs are not clear does not allow the reader to assess the charity's use of resources.

Figure 12b. Comparison of SOFA activities to headings used in trustees' annual report (%)



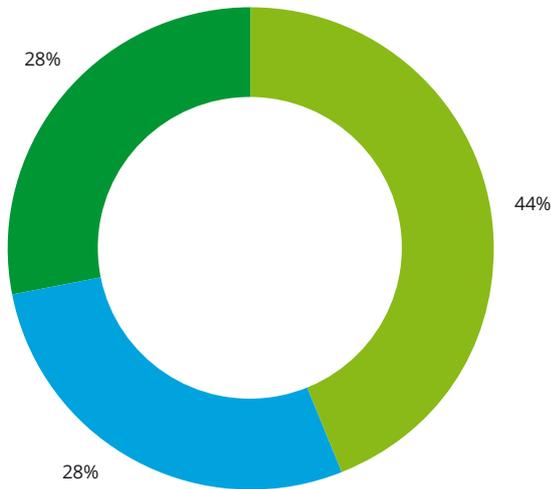
- All match
- Less categories in trustees' report than in SOFA
- Mix of categories some in SOFA and not in trustees' report
- No match and vice versa but still a connection between the two

In addition, we considered whether the parent charity's operations were separately discussed, in particular whether a separate SOFA for the parent was presented. Whilst the previous Charities SORP states that the Charity Commission is prepared to accept accounts without an individual parent SOFA the SORP does not state this explicitly and the Scottish regulations do not give an exemption from preparing this additional information. The Companies Act 2006 section 408 does provide an exemption companies preparing group accounts from disclosing an individual SOFA where the result for the year is clearly disclosed.

Of the charities surveyed 61% were registered in Scotland or had dual registration. 5% of those Scottish registered charities did not prepare consolidated accounts. 42% included a separate parent charity SOFA alongside their consolidated. The remaining 53% did not provide a separate SOFA alongside their consolidated SOFA. Half of those did state that they were taking the Companies Act exemption¹⁷ from providing the individual charitable company statement.

15. SORP 1.19
 16. SORP 1.40
 17. Companies Act 2006 s408

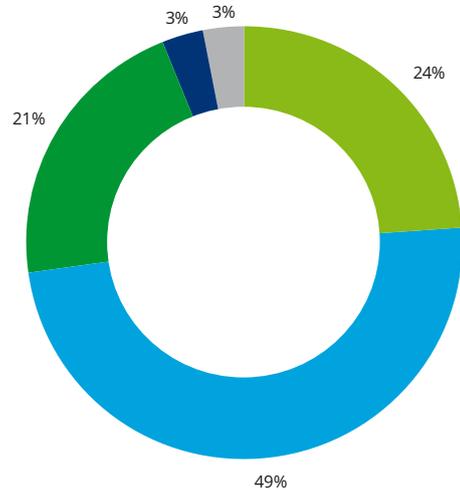
Figure 12c. Charities registered in Scotland preparing consolidated accounts providing a separate parent statement of financial activities (%)



- Registered in Scotland presenting charity only and consolidated SOFA
- Registered in Scotland and taking the CA 2006 exemption from presenting a parent charity SOFA
- Registered in Scotland not presenting a parent charity only SOFA or disclosing an exemption

The Companies Act exemption is still available for charitable companies, however the language in the SORP 2005 which effectively extended that option to all charities has not been repeated in the new SORP. Therefore it is assumed a parent charity statement of financial activities is required for all non-company charities preparing consolidated accounts.

Figure 12d. Charities preparing consolidated accounts providing a separate parent statement of financial activities (%)



- Separate parent charity SOFA included
- No parent charity SOFA included but reference made to the CA 2006 section 408 exemption
- No parent charity SOFA included
- No parent charity SOFA included but reference made to FRS 102
- No parent charity SOFA included reference made to the old SORP

Considering only those charities required to prepare consolidated accounts, 24% included a separate parent charity SOFA and 49% included a reference to the Companies Act 2006 exemption. However, that leaves 27% who did not acknowledge the change in Charity Commission position. 16% did provide the parent charity income and net income disclosures, although they did not mention the basis for this; but no disclosure was given by those remaining.

Of those preparing consolidated accounts, 5% included a parent charity cash flow; of the 95% including only a consolidated cash flow only 3% mentioned that they were taking the exemption offered by FRS 102.

4.13. Balanced reporting

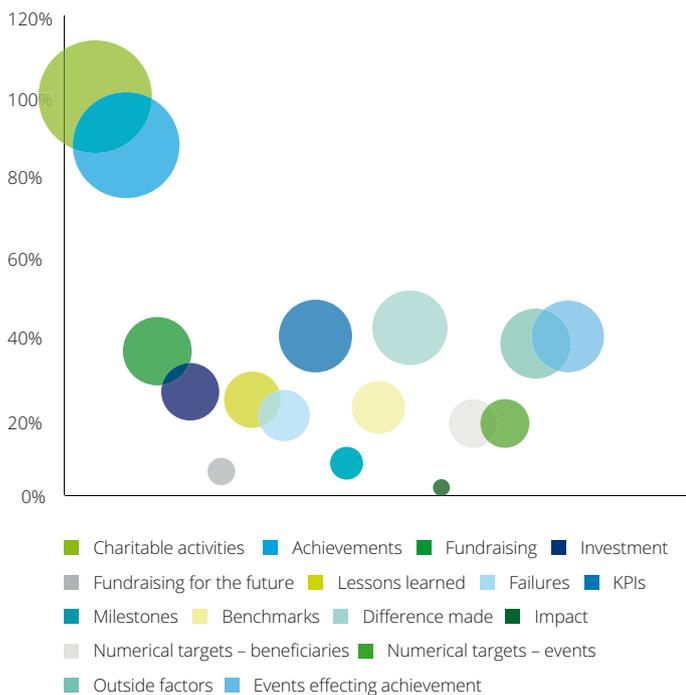
When assessing its achievements and performance the charity must set out its charitable activities, its performance against objectives and report fundraising and investment performance where there are material activities and balances.

The SORP describes good reporting as reporting which *provides a balanced view of successes and failures along with the supporting evidence, and demonstrates the extent of performance and achievements against the objectives set and the lessons learned*¹⁸.

The SORP says that charities should provide a balanced report and may use indicators, milestones and benchmarks and may also consider the impact of their activities and the difference made. We review the reports for key words relating to lessons learned, key performance indicators (KPIs), benchmarks and other descriptions which showed how charities had reflected this guidance in their reports.

100% of the charities surveyed included descriptions of their charitable activities but only 2% had a go at explaining the impact their activities had. However, 42% did consider how they made a difference. 40% discussed KPIs, although as we explore further below only 36% actual gave a target and a result relating to their KPIs. 24% of charities discussed lessons learned and 20% mentioned failures.

Figure 13. In which areas did charities include negative points or discuss challenges? (%)



The size of the bubble demonstrates the relative numbers of charities including balanced reporting in those areas. The results show that the charities surveyed took a variety of approaches in their reporting but that many did attempt to provide the balance requested by the SORP.

4.14. Key performance indicators (KPIs)

The Companies Act requires that the strategic report includes an analysis using financial key performance indicators to the extent necessary for an understanding of the development, performance or position of the company's activities¹⁹ and the SORP states that:

*The charity should include a summary of the measures or indicators used to assess performance when it provides evidence of achievements in the reporting period. Examples of such targets include the number of beneficiaries to be reached by a particular programme, or the number of events or interventions planned as part of an activity. Information on activities, outputs and outcomes (or impacts) should always be put in the context of how they have contributed to the achievement of the charity's aims and objectives.*²⁰

We have identified only those charities which disclosed KPIs and discussed the result in comparison to the target set for that KPI. In many cases there were detailed descriptions of activity but this was not framed in the context of a target and expected result or goal.

We found that 36% of charities did this for at least one KPI (the disclosure of targets in regard to investment performance and reserves have been captured separately and are discussed in section 4.16 and 4.19).

We noted that many charities discussed having and using KPIs without including them. Many discussions of performance included percentages and actuals without reference to the prior year or a target making it hard to assess whether their achievements exceeded, met or were below the charity's objectives.

Where information was not complete enough to demonstrate reporting against a target it was not included as a KPI. The prevalence and presentation of financial or non-financial figures as means of measuring each charity's achievements varied widely, with some charities showing KPIs in a table format and others integrating them into the narrative reporting of objectives and achievements. For some financial and employee-related KPIs, the link to the charity's objectives for the year was not always obvious, but otherwise there was a clear link for nearly all figures presented.

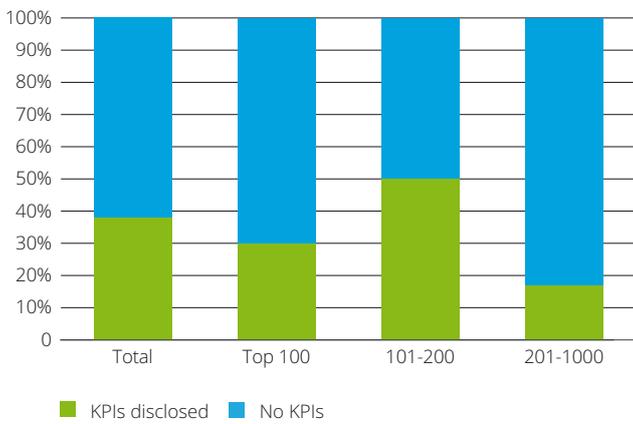
18. SORP 1.40

19. Companies Act 2006 s414C(4)

20. SORP 1.44.

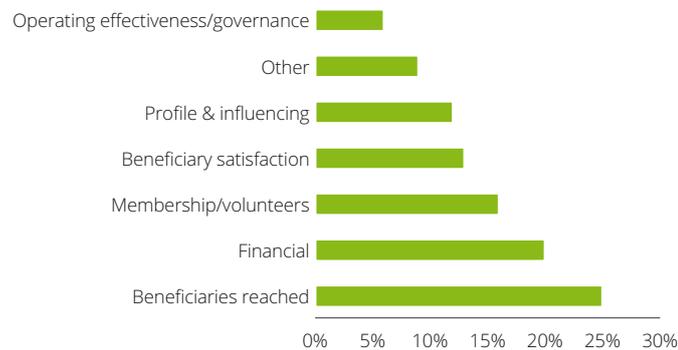
From the charities surveyed it is clear that use of performance indicators remains something that could be strengthened. Performance indicators could be used to good effect, particularly with the increased emphasis on balanced reporting of successes, failures and challenges. We noted during our review that KPIs described were not met in all cases, but still disclosed as part of the story.

Figure 14a. Are key performance indicators disclosed and related to targets? (%)



The most common type of KPI was related to the number of beneficiaries who benefitted from the charities' activities. However, there were a significant number of financial targets being disclosed and challenges relating to members and volunteers.

Figure 14b. Type of key performance indicators (%)



All charities did disclose their activities and 88% clearly linked achievement to objectives. The most successful layouts included questions along the lines of:

- Why do it?
- What did we say we would do?
- What did we do?
- What impact did we make?

Others focussed thematic sections detailing priorities, achievements and aims for the next financial year. In many cases the text discussed facts and figures and results against prior year but did not make it clear whether these results met expectations or not.

4.15. Fundraising performance

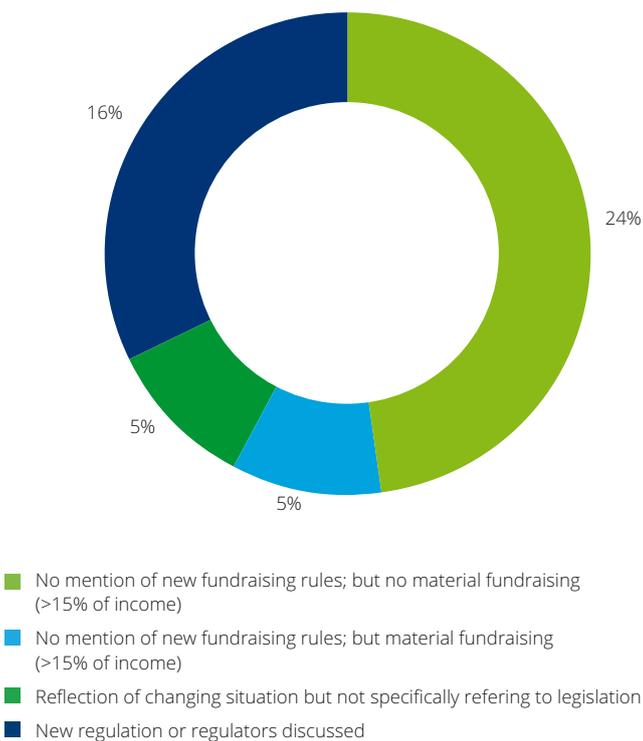
The SORP requires that, where material fundraising is undertaken, the performance should be compared to the objectives set, commenting on any material expenditure for future income generation and explaining the effect on the current period's fundraising return and anticipated income generation in future periods. Of the charities surveyed, 52% had material fundraising activities (which for the purpose of this survey was considered to be over 15% of total income). Of the whole sample 68% included a general discussion of fundraising performance, which included all of those with material fund raising activities. However, focussing on those in our survey with material fundraising activities the level of detail in the descriptions was in many cases brief, 88% included a comparison of fundraising against prior year, but less than a third included consideration of objectives or targets.

Figure 15a. Reporting fundraising performance for those charities with material fundraising activities (%)



Given the introduction of the new legislation under the Charities (Social Investment and Protection) Act 2016 and the increased scrutiny in the fundraising environment we also considered whether charities described the potential impact of legislation and regulation in their reports.

Figure 15b. Consideration of changes in legislation and regulation (%)



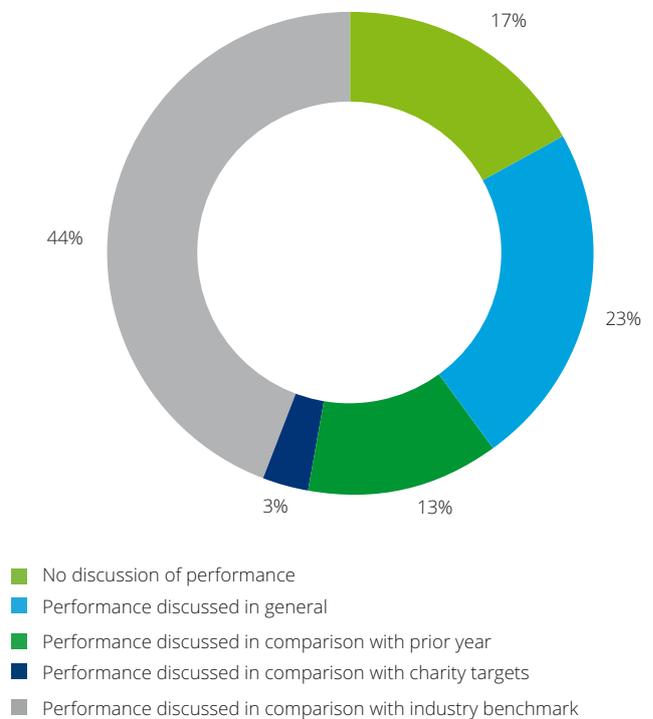
62% of those with material fundraising activities discussed the new legislation and regulations. Many charities also included this in their principal risks as discussed in 4.11. However 19% of charities surveyed with material fundraising activities made no mention of the forthcoming changes.

4.16. Investment performance

The SORP requires that where material investments held the performance should be compared to the objectives set. Of the charities surveyed 60% had financial investments other than cash and investment in subsidiaries. Of those holding just cash 15% reported the return on the cash held compared with the base rate and 30% discussed why their holdings were maintained in cash.

Of the 60% with investments, 17% did not make any comment regarding performance although they did include details of delegation to investment managers or portfolio spread. The remaining charities sampled made disclosure with varying degrees of detail. In many cases whilst performance was discussed in comparison with industry benchmarks insufficient information was given to assess whether targets had been met. We will discuss this further in our separate publication surveying investments.

Figure 16. Reporting investment performance for those charities with other financial investments (%)

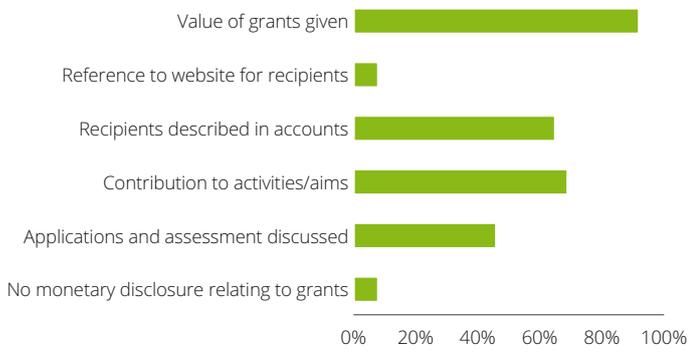


4.17. Grant-making policy

The SORP requires that where the charity conducts a material part of its activities through grant-making, a statement should be provided setting out its grant-making policies and that the charity should explain how its grant-making activities contribute to the achievement of its aims and objectives.²¹ Of the charities surveyed that gave grants 52% disclosed grants paid or a policy on grants payable in either the trustees report or notes to the accounts. However, whilst 92% of the charities gave details of the value of the grants paid, only 73% gave full and clear details of recipients, with 65% giving details in the notes to the financial statements and only 8% referring to a website, a new facility under SORP 2015.

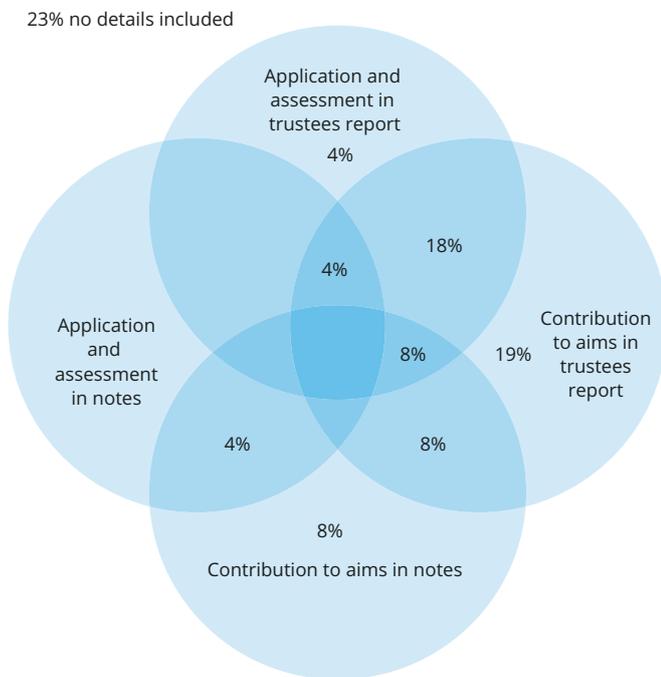
21. FRS 102 SORP 1.38

Figure 17a. Grant making disclosures (% of those making grants)



38% of the charities surveyed making grants included details of the application and assessment process and 73% discussed how grant making contributed to their activities and aims. 12% of charities surveyed only made mention of grants in the notes to the accounts and 23% did not include any discussion of policy or process in their report or notes.

Figure 17b. Disclosure of application and assessment and contributions to aims in the trustees report and notes to the accounts (%)

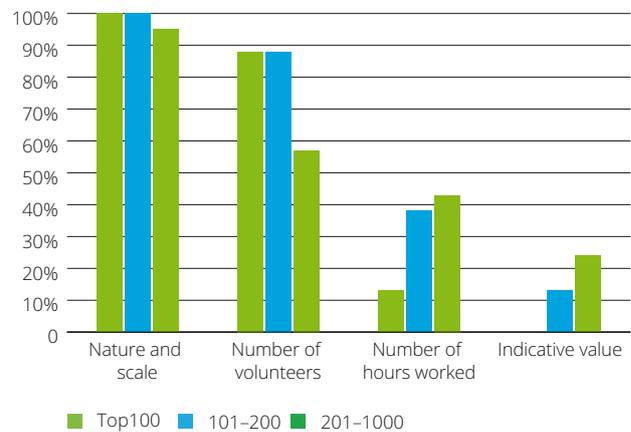


4.18. Use of volunteers and receipt of gifts in kind

The SORP includes a requirement that where a charity makes significant use of volunteers in the course of undertaking its charitable or income generating activities this should be explained. The SORP recognises that there may be measurement issues, which is the reason why the amounts are not included in the SOFA, but suggests that readers should be given sufficient information to understand the role of volunteers and the scale and nature of the activities undertaken. The SORP suggests measures such as hours worked, staff equivalents and an indicative value.

Of the charities surveyed, 74% acknowledged the support of volunteers. 5% of charities merely acknowledged the support of volunteers, the other 95% charities typically included further information on the role and activities carried out by volunteers giving some idea of nature and scale. Many charities touched on the role of volunteers in each of their strategic targets and activities described in their trustees' reports. For those who described the contribution of volunteers the most popular quantifying measure that was used was the number of volunteers who assisted the charity in the year. None of the charities in the top 100 included an indicative value.

Figure 18a. Description given of volunteers' support by those acknowledging volunteers (%)

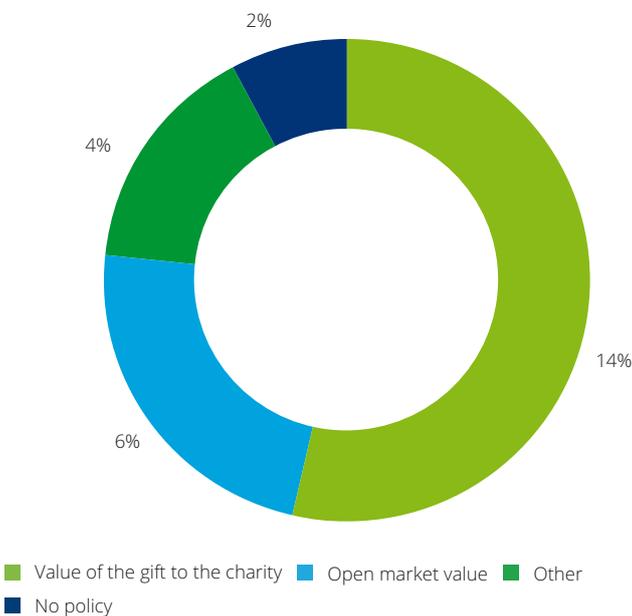


Gifts in kind to the charity should however be recognised. Note in considering this we have only considered gifts for the direct benefit/use of the charity and does not include donated goods for resale or goods for distribution. Donated facilities and services are measured and included in the accounts at the value of the gift to the charity.

52% of the charities sampled mentioned gifts in kind in their trustees' report, notes to the accounts or included a policy. However, only 30% of charities sampled disclosed a gift in kind in the notes to the accounts. Of those disclosing gifts with a monetary value 13% did not have a policy; whereas 46% of those with a policy did not clearly disclose gifts or services in kind.

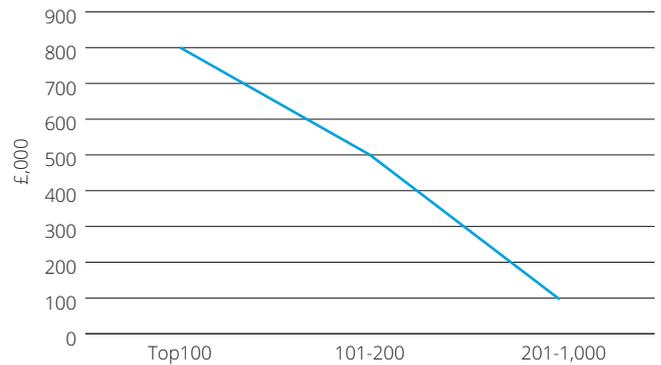
Of the 52% of charities, 54% included a statement in the policy that they would value the donation at the gross value to the charity or some equivalent. 23% talked of an open market value and the remaining 15% talked of a value that was reasonable or quantifiable.

Figure 18b. Policy for valuing donated goods and services for charity own use (%)



The values of the gifts disclosed, as maybe expected, varied between top 100, 101-200 and 201-1000 charities. The chart below shows the median values but must be taken as indicative for discussion only given the small sample size.

Figure 18c. Median values of gifts received as disclosed



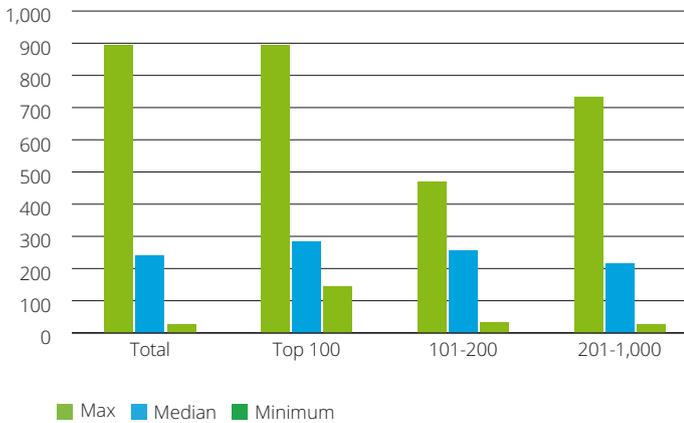
4.19. Reserves policy

As part of the financial review, the trustees' annual report should include a statement of the policy on reserves stating the level of reserves held and why they are held. If the charity has no policy it should explain why it has no policy.

All charities in the survey included a section on the reserves policy although the usefulness of this section varied considerably. Only one charity stated that its policy was not to hold reserves.

In terms of the length of the section, the median length of the statement was 241 words. The longest statement was 894 words and the shortest was 25 words.

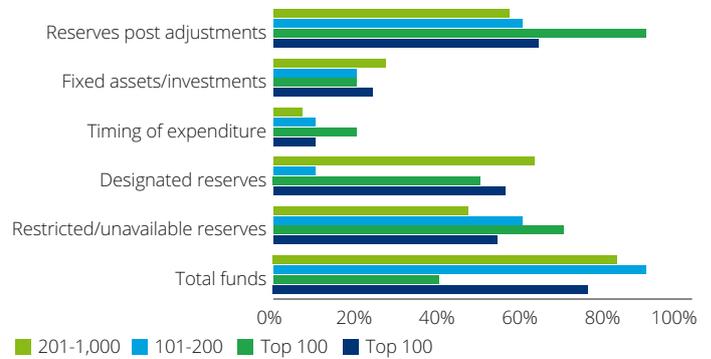
Figure 19a. Length of the reserves policy



The new SORP gives a rather more didactic approach to explain reserves than previously available. The review of the charity's reserves should (but not must):

- state the amount of the total funds the charity holds at the end of the reporting period;
- identify the amount of any funds which are restricted and not available for general purposes of the charity at the end of the reporting period;
- identify and explain any material amounts which have been designated or otherwise committed as at the end of the reporting period;
- indicate the likely timing of the expenditure of any material amounts designated or otherwise committed at the end of the reporting period;
- identify the amount of any fund that can only be realised by disposing of tangible fixed assets or programme related investments;
- state the amount of reserves the charity holds at the end of the reporting period after making allowance for any restricted funds, and the amount of designations, commitments (not provided for as a liability in the accounts) or the carrying amount of functional assets which the charity considers to represent a commitment of the reserves they hold; and
- compare the amount of reserves with the charity's reserves policy and explain, where relevant, what steps it is taking to bring the amount of reserves it holds into line with the level of reserves identified by the trustees as appropriate given their plans for the future activities of the charity.²²

Figure 19b. Amount of detail included in the reserves policy (%)



The charities in the Top 100 group typically gave more detail arriving at their level of available general reserves, called 'reserves post adjustment' above. Less than 20% of the charities surveyed gave details about the timing of expenditure, and just over half talked about designated reserves. However, whilst 56% talked about designated reserves in their policy 88% of charities surveyed had designated reserves. Many charities, particularly in the top 100, jumped straight to an adjusted figure of available reserves effectively leaving the reader of the accounts to work out how the figure was derived using the notes rather than explaining the process.

22. SORP 1.48.

82% of charities surveyed compared their reserves with a target, and 76% stated a target in terms of period of months of expenditure or in terms of an absolute monetary amount. 16% made no comment on whether their reserves met targets or were considered at satisfactory levels.

Figure 19c. Level of reserves against target (%)

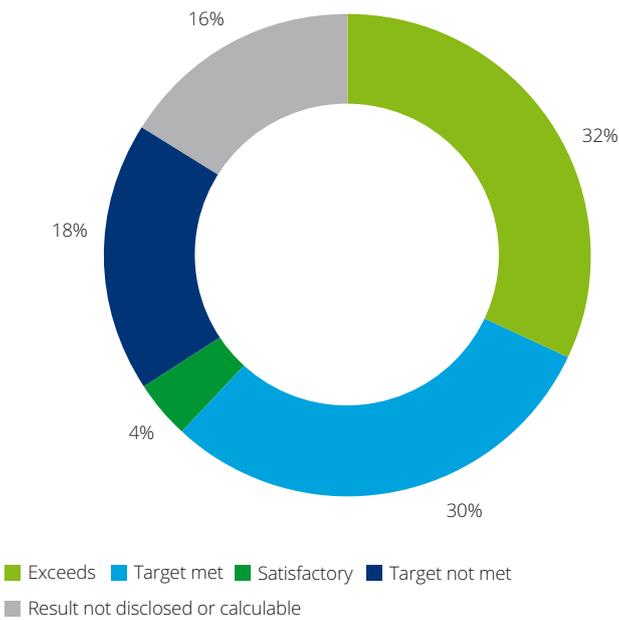


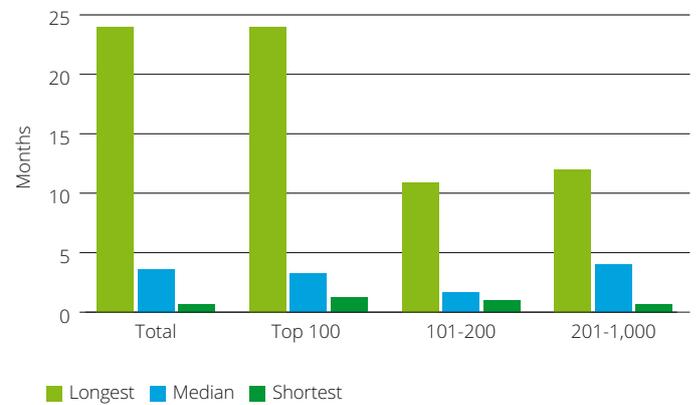
Figure 19d. Level of reserves against target by group (%)



All charities in the top 100 in our sample discussed their reserves against targets. The 101-200 group has the lowest number of charities disclosing unmet targets but the highest percentage of targets not disclosed.

Although targets varied from cash amounts to months of expenditure we have approximated all targets given to months of total expenditure to allow better comparison of those charities giving targets. From the survey it was noted that a higher number of charities in the top 100 were stating targets in absolute monetary amounts than those in other groups.

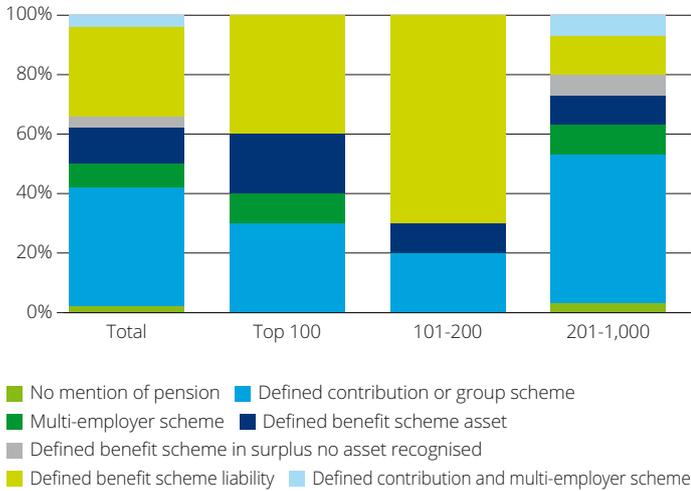
Figure 19e. Targets for reserves (months of total expenditure)



64% of the charities sampled had targets of less than 6 months of total expenditure. The median target was just over 3 and a half months. The greatest target 24 months of expenditure and the smallest approximately 21 days of expenditure.

Of the charities surveyed 30% had funds in deficit, the main cause being pension scheme liabilities, however only 10% included more discussion of the pension deficit and the impact on reserves or gave details about recovery plans. Only 2% of charities surveyed disclosed any other type of fund in deficit and explanations were provided.

Figure 19f. Impact of pensions schemes on reserves (%)

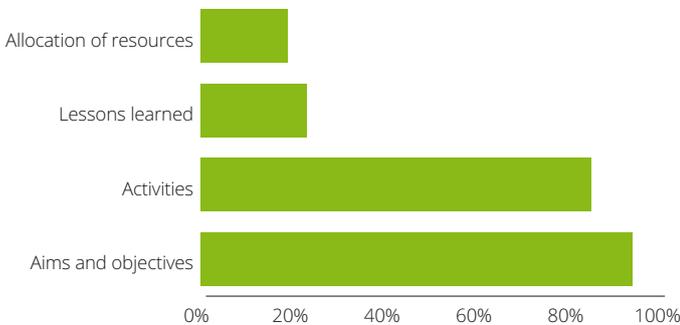


4.20. Plans for future periods

The SORP requires that the trustees' annual report should explain the charity's plans for the future including the aims and key objectives it has set for future periods together with details of any activities planned to achieve their plans.

In our survey, 6% of charities did not include a looking forward section and 20% included such a section but did not clearly describe the key objectives or activities planned to achieve them. However, many of the charities surveyed had more detailed plans which will provide a good basis for reporting in the coming year. Some charities also demonstrated their commitment to balanced reporting by reflecting the lessons learned and consideration of resources required in their future plans.

Figure 20. Plans for future periods (%)

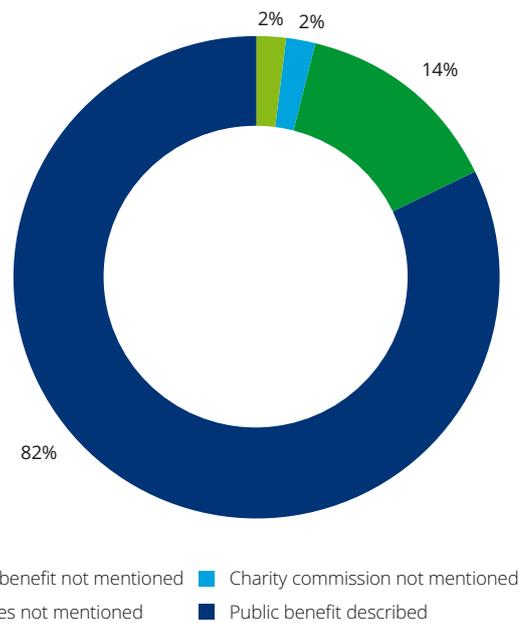


4.21. Public benefit

2% of the charities sampled did not mention public benefit in the trustees' annual report. The level of detail of the discussion varied with some charities assuming that public benefit was obvious and others taking the reader through the objectives and the understanding of how those objectives applied to public benefit. Some charities extended the awareness of public benefit throughout their report, this was the case particularly for those who reported by activity giving objectives, performance, future plans and the public benefit by each activity.

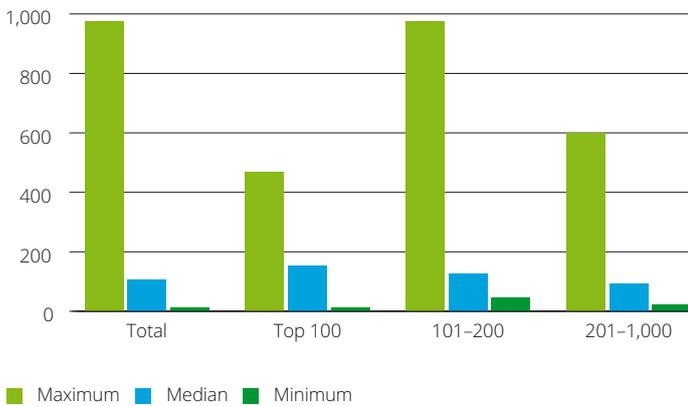
Of those charities making a statement, 10% of charities that stated only that they had complied with the charity commission guidance without further comment or indicating where further information could be found. 2% of charities surveyed referred to documents outside the financial statements other charities referred to activities described within the financial statements.

Figure 21a. Public benefit discussion (%)



96% of charities surveyed explicitly stated that they had regard to the Charity Commission guidance when preparing the trustees' annual report. The median length of the statements on public benefit was 105 words, with the longest nearly 1,000 and the shortest 23, enough to say they had regard to the Charity Commission's guidance.

Figure 21b. How long is the public benefit statement (number of words)



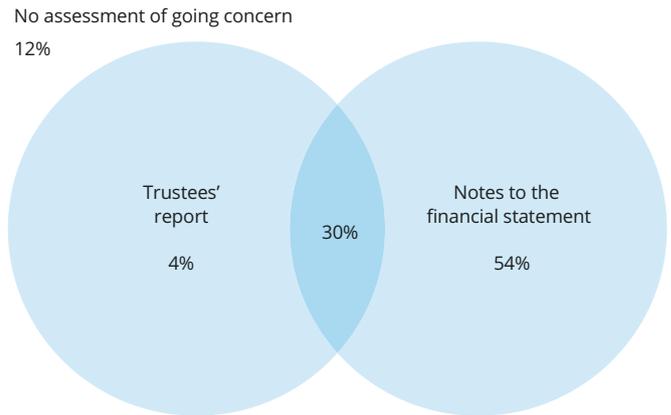
4.22. Compliance with FRC guidance on going concern

The Financial Reporting Council guidance “Going Concern and Liquidity Risk: Guidance for Directors of UK Companies” continues to apply to companies, including charitable companies, that do not apply the UK Corporate Governance Code. The guidance also states that “it may also be useful to the management of other entities that produce financial statements that are intended to give a true and fair view”, which would be the case for charities preparing accounts under the Charities SORP. The SORP states:

Charities normally prepare their accounts on the basis of going concern. The trustees must make their own assessment of their charity ability to continue as a going concern to assure themselves of the validity of this assumption when preparing their accounts. In making this assessment, a charity's trustees should take into account all available information about the future for at least, but not limited to, 12 months from the date the accounts are approved.²³

88% of charities surveyed disclosed their assessment of going concern – 34% of trustees included this disclosure in their trustees report and 84% included the disclosure in the notes to the accounts; 30% including the information in both places.

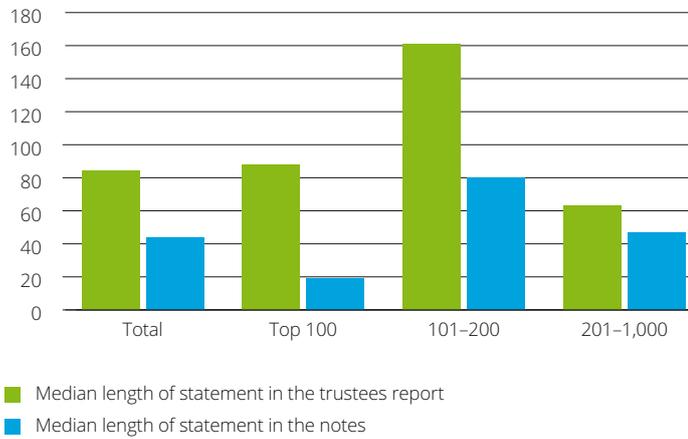
Figure 22a. Location of the going concern statement (%)



The median length of the going concern statement was 88 words in the trustees' report and 44 words in the notes to the accounts. No charities had included going concern as a principal risk and no charities in our sample had a material uncertainty relating to going concern. in their audit report. The maximum length of statement in the trustees report was 243 words and 328 words in the notes to the financial statements. The minimum was 36 words in the trustees' report and 11 in the notes to the accounts. The shortest statements in the notes to the financial statements referred to the trustees report for further detail. Statements on going concern were longer in the 101-200 group of charities.

23. SORP 3.14

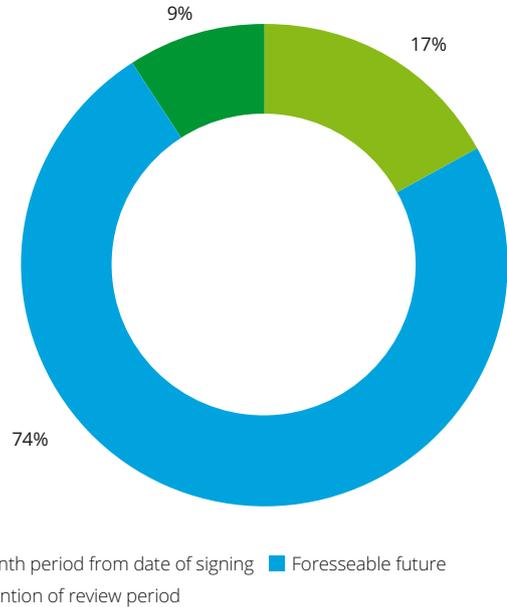
Figure 22b. Length of the going concern statement (number of words)



Of the 18% of charities which explicitly stated that their reserves were below their target level (figure 19c), 11% of those charities specifically linked their going concern statement to their assessment of reserves and the fact that they had not met their reserves target. Whilst 11% did not include any statement on going concern and 22% just stated that the going concern basis was considered appropriate with no further analysis.

The FRC guidance recommends that directors, in this case trustees, should consider a period at least 12 months from the date the accounts are approved²⁴ and this is also reflected in the requirements of the new SORP.²⁵ Of the charities surveyed that reported on going concern 23% referred to a period of at least 12 months from the date of signing and almost half (48%) referred to the foreseeable future.

Figure 22c. Period considered in going concern review



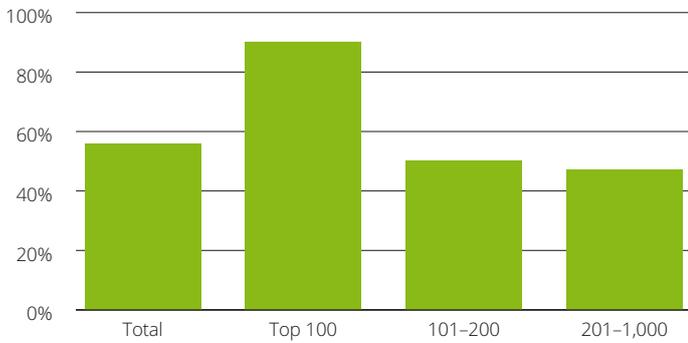
4.23. Visual appearance of the financial statements and trustees' annual report

The trustees' annual report should be comprehensive and understandable. Whilst just under half of the trustees' annual reports remain very plain to look at, consisting mainly of long sections of narrative not broken up by the use of pictures, charts, colour or highlighting: 56% of charity reports surveyed were judged to be visually interesting, 90% of charities in the top 100 were considered to have visually appealing reports.

24. Principle 2 – The Review Period

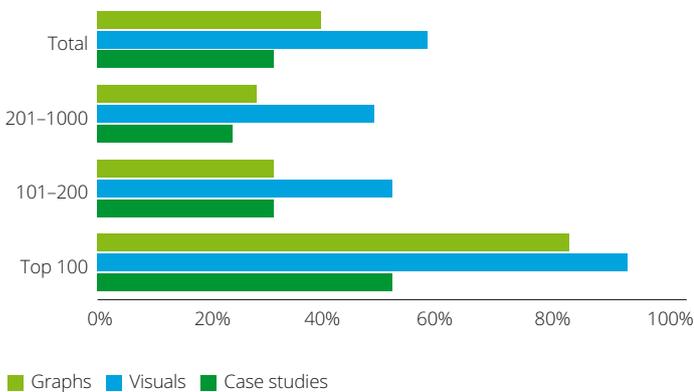
25. SORP 3.14.

Figure 23a. Financial statements and the trustees' annual report are visually stimulating (%)



The use of pictures, graphs, tables and case studies can assist in adding clarity to the narrative elements of the trustees' annual report.

Figure 23b. Ways of making the trustees' annual report more appealing (%)



Including pictures was the most common way of making the report more eye-catching and case studies were often accompanied by a photo, and all reports judged appealing included visuals of some description. However, of the charities surveyed, 38% used one or more graphs or charts to aid the reader of the accounts in their understanding of events. Graphs were used principally to analyse income sources and types of expenditure. The number suggests that visual aids are still not being used effectively in the sector.

Figure 23c. Number of graphs in the trustees' annual report (%)

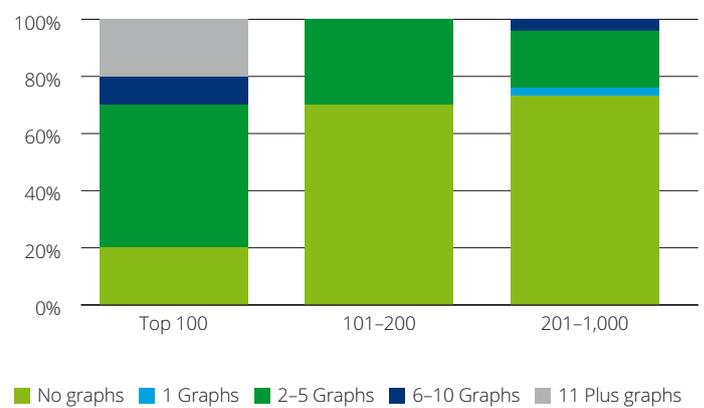
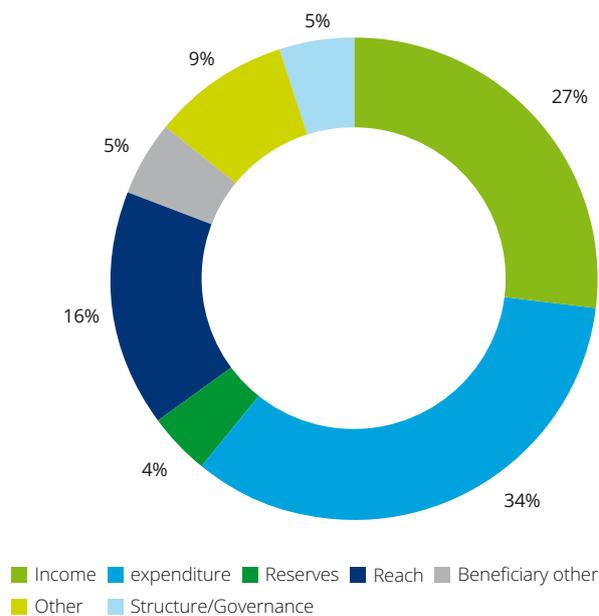


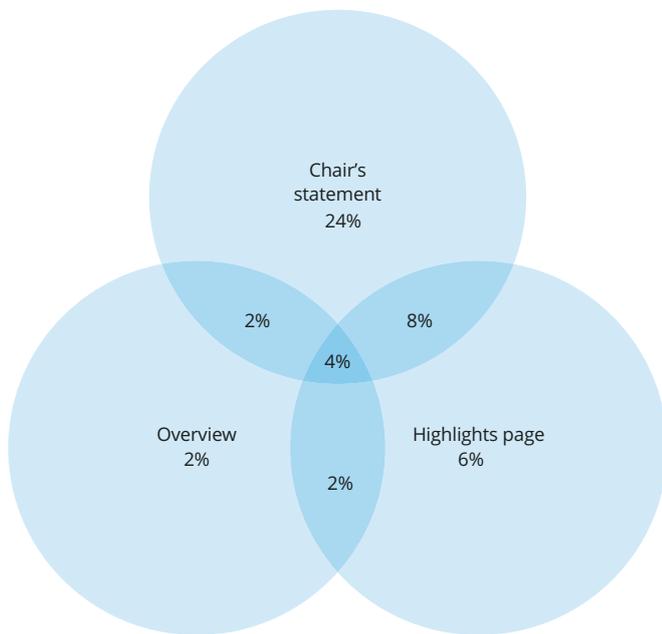
Figure 23d. What areas do these graphs cover? (%)



"Other" included network maps, carbon emission details, and the environment.

A highlights page or opening statement from the chairman or chief executive of a charity can be used to summarise the key information and achievements of the charity. Of the charities surveyed, 48% had such a summary, not lasting longer than a double-page spread, indeed 4% of charities surveyed included all three types of summary. No charity outside the top 200 included an overview or highlights page.

Figure 23e. Is there a highlights page overview or chair's statement? (%)



Whilst statutory reporting can be seen as a cost it is an opportunity to reach a wide audience.

As the use of digital media continues to expand the availability of information is likely to become an expectation from supporters, funders, and those as yet undecided on whether to donate.

Charity reports are all available via the Charity Commission website however 95% of the charity's own websites included either an annual report or the annual financial statements.

Figure 23f. Is information available on the charity's internet page? (%)

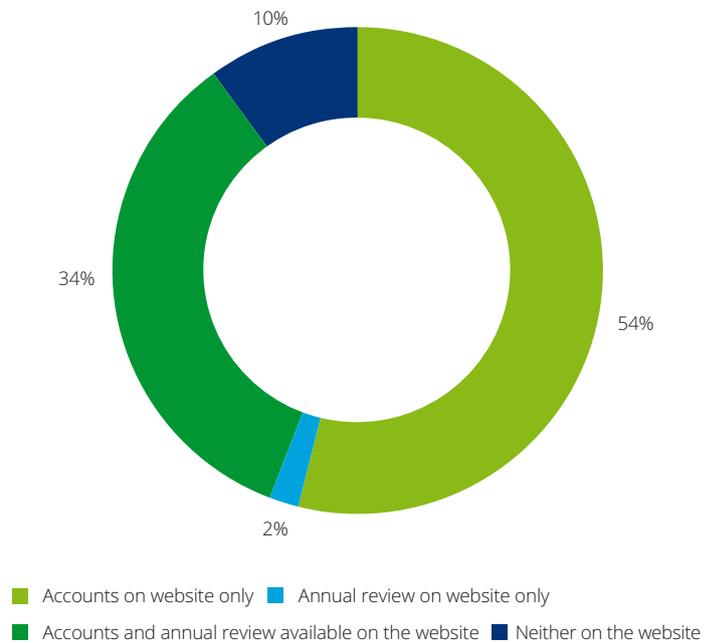
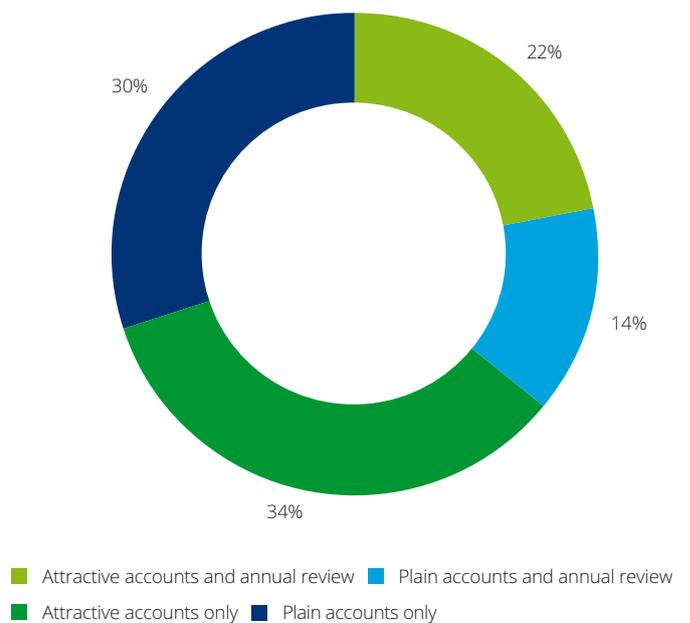


Figure 23g. How visually attractive is the information available? (%)



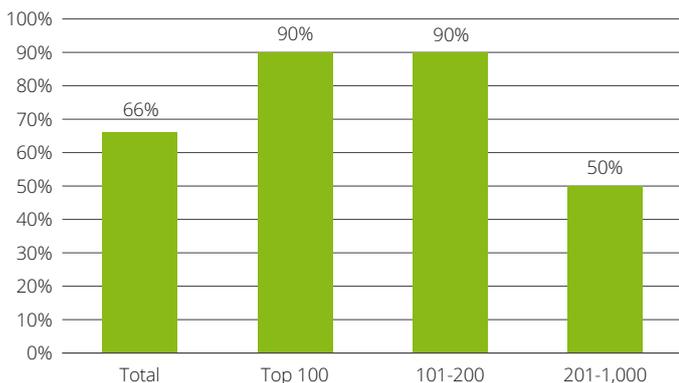
70% of the charities we surveyed had either or both visually attractive accounts and an annual review. The remaining 30% did not make the accounts more accessible to the reader, despite the ease with which the accounts could be downloaded. As charities continue to seek scarce resources, whether time or money, they will need to regularly review their communication strategy and consider the costs and benefits of using the annual accounts to attract, reassure and tell their story.

4.24. FRS 102 prior year adjustments and restatements

The year under review has been one of transition with each charity having to consider the impact of the adoption of FRS 102 and the new SORP. Of the charities surveyed only 2% used the 2015 FRSSE and the FRSSE SORP, all other charities converted to FRS 102 and the FRS 102 SORP. All charities included a policy regarding conversion as appropriate. However, it was noted that whilst all charities did restate their SOFA's for the allocation of governance costs to charitable activities only 20% described the reallocation in the accounts. 28% of charities stated that there was no adjustment required on conversion to FRS 102.

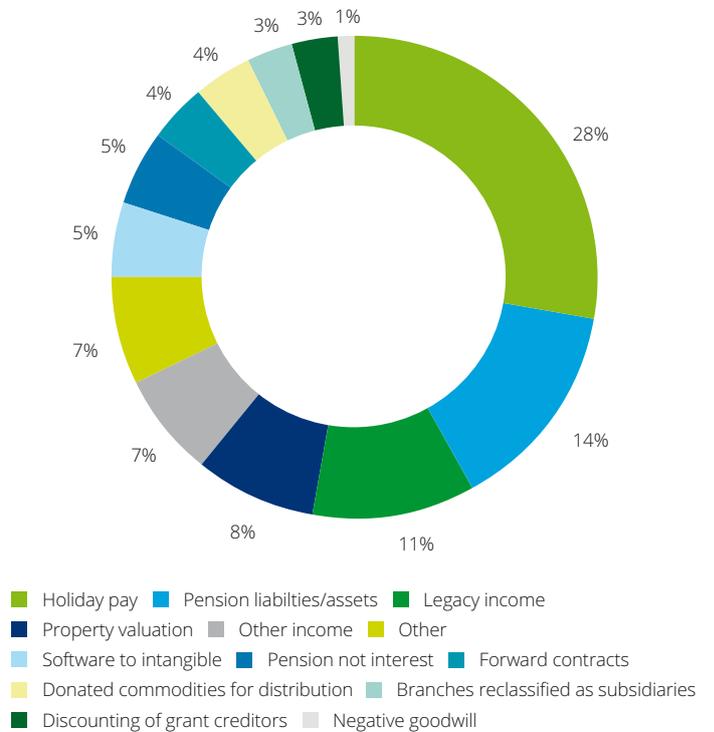
Of the charities surveyed 66% included discussion of a prior year adjustment, 36% discussed both the prior year adjustment and restatement of balances which did not affect opening reserves (although as noted above not all charities included a comment on the governance costs restatement) and 4% discussed a restatement in their accounts.

Figure 24a. How many charities made prior year adjustments? (%)



90% of charities in the top 200 made prior year adjustments, but only 50% of the 201-1000 group.

Figure 24b. What prior year adjustments were made? (%)



Most prior year adjustments related to holiday pay, income recognition and pensions. However a number related to property revaluation and other adjustments included heritage assets and fair value adjustments.

The majority of adjustments for the top 100 charities related to holiday pay accruals with legacy and other income adjustments following. However, there were a wide range of adjustments made related to treatment of branches, forward contract accounting, valuation of donated goods for distribution and discounting of grant creditors.

Figure 24c. Prior year adjustments made by top 100 charities surveyed (%)

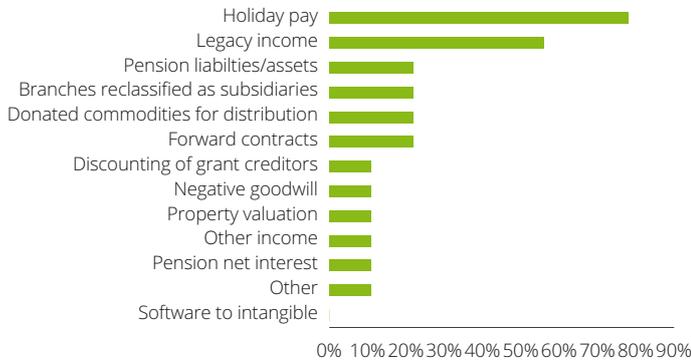


Figure 24d. Prior year adjustments made by 101-200 group of charities surveyed (%)

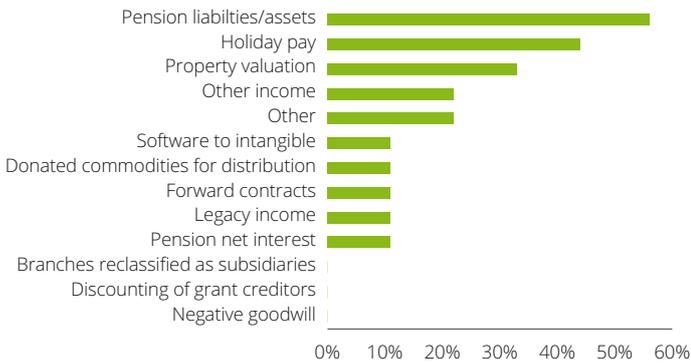
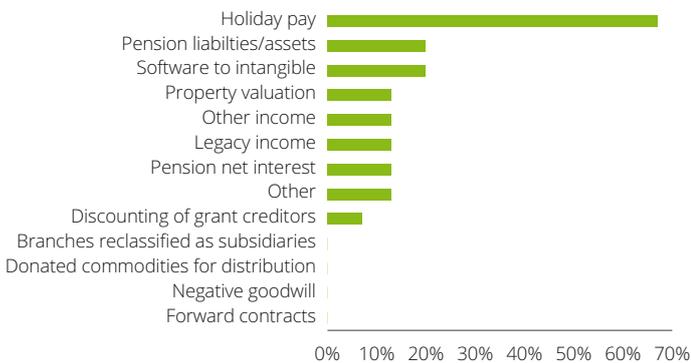


Figure 24e. Prior year adjustments made by 201-1000 group of charities surveyed (%)

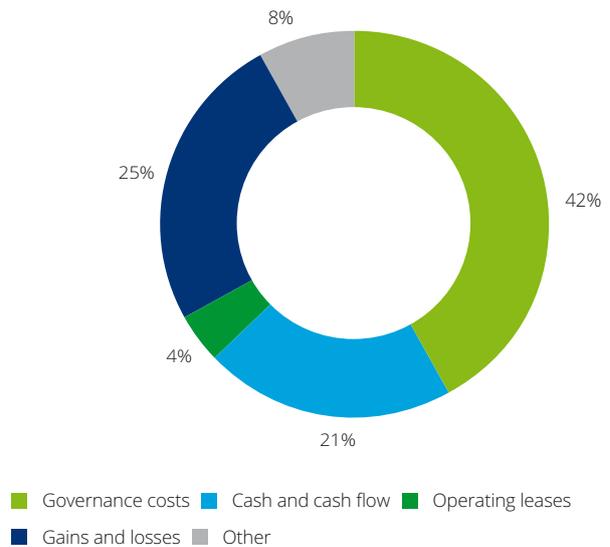


The profile of adjustments in the 101-200 group had a different focus with more adjustments surrounding pension recognition and property revaluations where charities took advantage of the transitional rules to make a one-off revaluation to fix the “deemed cost” going forward.

The number of prior year adjustments made fell in the 201-1,000 group and the main adjustments focussed on holiday pay accruals. However, as with the other groups there was a spread of adjustments over the other categories.

As noted in the introduction many charities in the sample made the presentational restatements required under the SORP but did not describe them. Where restatements were described the main focus was governance costs, the classification of gains and losses as part of the result for the year and the definition of cash and cash equivalents, with the impact on the presentation of cash balances and the cash flow statement.

Figure 24f. What prior year restatements were described? (%)



Appendix 1 – Disclosure checklist FRS 102

The following SORP checklist has been based on the trustees' annual reporting requirements in the FRS102 SORP. Requirements applicable only to larger charities, that is those with an income of over £500,000, are shaded. Note that the audit threshold has been raised to income of £1,000,000 for England and Wales, but remains at £500,000 in Scotland. The checklist highlights the 'must's of the reporting requirements in blue and the 'should's in *italic* type.

The new SORP uses the term '**must**' to indicate those elements that are important to the reader of the trustees' annual report that must be included within the report or to identify particular accounting treatments, disclosures or presentational requirements that are likely to affect the ability of the accounts to give a true and fair view if not applied to material transactions or items.

Where this SORP states that a recommendation is one which must be followed, non-adherence to that recommendation is a departure from the SORP.

The new SORP uses the term '*should*' for an item in the trustees' annual report or the accounts for those recommendations aimed at advancing standards of financial reporting as a matter of good practice. While charities are encouraged to follow all the SORP's recommendations, a failure to follow a 'should' recommendation with respect to the report or the accounts is not regarded as a departure from the SORP.

Many of the SORP requirements have not changed. However, we have included in **bold** where the requirement is new or has changed significantly.

FRS102 SORP REQUIREMENTS	Ref	YES	NO	N/A
Requirements for larger charities only are shaded²⁶				
Objectives and Activities				
The report provides information intended to help the user understand how the charity's aims fulfill its legal purposes, the activities it undertakes and what it has achieved. All charities must provide a summary of:	FRS 102 SORP 1.17, 1.19			
<ul style="list-style-type: none"> the purposes of the charity as set out in its governing document; and the main activities undertaken in relation to those purposes. 				
<i>The report should explain the activities, projects or services identified in the accompanying accounts. As far as practicable, numerical information provided in the report about the resources spent on particular activities should be consistent with the analysis provided in the accounts.</i>				
Charities in England and Wales must also:	FRS 102 SORP 1.18			
<ul style="list-style-type: none"> explain the main activities undertaken to further the charity's purposes for the public benefit; and include in their report a statement confirming whether the trustees have had regard to the Charity Commission's guidance on public benefit. 				
The report of larger charities must provide an explanation of:	FRS 102 SORP 1.36			
<ul style="list-style-type: none"> its aims, including details of the issues it seeks to tackle and the changes or differences it seeks to make through its activities. 				
<ul style="list-style-type: none"> how the achievement of its aims will further its legal purposes. 				
<ul style="list-style-type: none"> its strategies for achieving its stated aims and objectives. 				
<ul style="list-style-type: none"> the criteria or measures it uses to assess success in the reporting period. 				
<ul style="list-style-type: none"> the significant activities undertaken (including its main programmes, projects or services provided), explaining how they contribute to the achievement of its stated aims and objectives. 				

26. Larger charities is a term used in the SORP to identify those charities with an income of over £500,000

FRS102 SORP REQUIREMENTS	Ref	YES	NO	N/A
Requirements for larger charities only are shaded²⁶				
Larger charities in their report should also provide the user with a more detailed understanding of their short-term and longer-term aims and objectives. A charity with longer-term aims and objectives should explain how the aims and objectives set for the reporting period relate to its longer-term aims and objectives. When explaining activities, it is important for the user to understand their scale and the resources used in their delivery; for example, it may be helpful to provide details of the amount spent on, or the number of staff engaged in, undertaking a particular activity.	FRS 102 SORP 1.37			
The report must include an explanation of the use the charity makes of the following:	FRS 102 SORP 1.38			
<ul style="list-style-type: none"> • Social investment, when this forms a material part of its charitable and investment activities. In particular, the report must provide an explanation of its social investment policies and explain how any programme related investments contributed to the achievement of its aims and objectives. 				
<ul style="list-style-type: none"> • Grant-making, when this forms a material part of its charitable activities. In particular, the report must explain the charity's grant-making policy and explain how its grant-making activities contribute to the achievement of its aims and objectives. 				
<ul style="list-style-type: none"> • Volunteers, when their contribution is significant to a charity's ability to undertake a particular activity. The explanation should help the user to understand the scale and nature of the activities undertaken. 				
Charities reporting on the contribution of general volunteers may provide an explanation of the activities that volunteers support or help to provide; and details of the contribution in terms of volunteer hours or staff equivalents.	FRS 102 SORP 1.39			
Achievements and performance				
The report must contain a summary of the main achievements of the charity. The report should identify the difference the charity's work has made to the circumstances of its beneficiaries and, if practicable, explain any wider benefits to society as a whole.	FRS 102 SORP 1.20/1.40			
Good reporting sets out how well the activities undertaken by the charity and any subsidiaries performed and the extent to which the achievements in the reporting period met the aims and objectives set by the charity for the reporting period. Good reporting provides a balanced view of successes and failures along with supporting evidence, and demonstrates the extent of performance and achievement against the objectives set and the lessons learned.				
In particular, the report must review:	FRS 102 SORP 1.41			
<ul style="list-style-type: none"> • the significant charitable activities undertaken; 				
<ul style="list-style-type: none"> • the achievements against objectives set; <p><i>The charity should include a summary of the measures or indicators used to assess performance when it provides evidence of achievements in the reporting period. Examples of such targets include the number of beneficiaries to be reached by a particular programme, or the number of events or interventions planned as part of an activity. Information on activities, outputs and outcomes (or impacts) should always be put in the context of how they have contributed to the achievement of the charity's aims and objectives.</i></p>	FRS 102 SORP 1.41/1.44			

FRS102 SORP REQUIREMENTS	Ref	YES	NO	N/A
Requirements for larger charities only are shaded²⁶				
<ul style="list-style-type: none"> the performance of material fundraising activities against the fundraising objectives set; 	FRS 102			
<ul style="list-style-type: none"> investment performance against the investment objectives set where material financial investments are held; 	SORP 1.41			
<ul style="list-style-type: none"> if material expenditure was incurred to raise income in the future, the report must explain the effect this expenditure has had, and is intended to have, on the net return from fundraising activities for both the reporting period and future periods. 				
<p><i>The report should comment on those significant positive and negative factors both within and outside the charity's control which have affected the achievement of its objectives and, where relevant, explain how this has affected future plans.</i> These factors might include relationships with employees, service users, beneficiaries and funders and the charity's position in the wider community.</p>	FRS 102 SORP 1.45			
Financial review				
The report must contain a review of the charity's financial position at the end of the reporting period.	FRS 102 SORP 1.21			
The charity must explain any policy it has for holding reserves and state the amounts of those reserves and why they are held. If the trustees have decided that holding reserves is unnecessary, the report must disclose this fact and provide the reasons behind this decision.	FRS 102 SORP 1.22			
<i>If, at the date of approving the report and accounts, there are uncertainties about the charity's ability to continue as a going concern, the nature of these uncertainties should be explained.</i>	FRS 102 SORP 1.23			
The report must also identify any fund or subsidiary undertaking that is materially in deficit, explaining the circumstances giving rise to the deficit and the steps being taken to eliminate the deficit.	FRS 102 SORP 1.24			
The report must also 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:	FRS 102 SORP 1.46			
<ul style="list-style-type: none"> the financial effect of significant events; 				
<ul style="list-style-type: none"> where the charity holds material financial investments, the investment policy and objectives set; 				
<ul style="list-style-type: none"> a description of the principal risks and uncertainties facing the charity and its subsidiary undertakings, as identified by the charity trustees, together with a summary of their plans and strategies for managing those risks; and 				
<ul style="list-style-type: none"> any factors that are likely to affect the financial performance or position going forward. 				

FRS102 SORP REQUIREMENTS	Ref	YES	NO	N/A
Requirements for larger charities only are shaded²⁶				
<i>The financial review should also explain:</i>	FRS 102			
<ul style="list-style-type: none"> the principal funding sources of the charity in the reporting period and how these resources support the key objectives of the charity; 	SORP 1.47			
<ul style="list-style-type: none"> the impact, if any, of a material pension liability arising from obligations to a defined benefit pension scheme or pension asset on the financial position of the charity; and 				
<ul style="list-style-type: none"> where the charity holds material financial investments, the extent (if any) to which it takes social, environmental or ethical considerations into account in its investment policy. 				
<i>The review of the charity's reserves should:</i>				
<ul style="list-style-type: none"> state the amount of the total funds the charity holds at the end of the reporting period; 				
<ul style="list-style-type: none"> identify the amount of any funds which are restricted and not available for general purposes of the charity at the end of the reporting period; 				
<ul style="list-style-type: none"> identify and explain any material amounts which have been designated or otherwise committed as at the end of the reporting period; 				
<ul style="list-style-type: none"> indicate the likely timing of the expenditure of any material amounts designated or otherwise committed at the end of the reporting period; 				
<ul style="list-style-type: none"> identify the amount of any fund that can only be realised by disposing of tangible fixed assets or programme related investments; 				
<ul style="list-style-type: none"> state the amount of reserves the charity holds at the end of the reporting period after making allowance for any restricted funds, and the amount of designations, commitments (not provided for as a liability in the accounts) or the carrying amount of functional assets which the charity considers to represent a commitment of the reserves they hold; and 				
<ul style="list-style-type: none"> compare the amount of reserves with the charity's reserves policy and explain, where relevant, what steps it is taking to bring the amount of reserves it holds into line with the level of reserves identified by the trustees as appropriate given their plans for the future activities of the charity. 				
Structure, governance and management				
The report must provide details of:	FRS 102			
<ul style="list-style-type: none"> the nature of the governing document (e.g. trust deed, memorandum and articles of association, Charity Commission scheme, Royal Charter, etc.). 	SORP 1.25			
<ul style="list-style-type: none"> how the charity is (or its trustees are) constituted (e.g. limited company, unincorporated association, trustees incorporated as a body, charitable incorporated organisation, community benefit society, industrial and provident or friendly society etc.). 				
<ul style="list-style-type: none"> the methods used to recruit and appoint new charity trustees, including details of any constitutional provisions for appointment, for example election to post. Where any other person or external body is entitled to appoint one or more of the charity trustees, the report should explain this and give the name of that person or body. 				

FRS102 SORP REQUIREMENTS	Ref	YES	NO	N/A
Requirements for larger charities only are shaded²⁶				
<p>The report must provide the user with an understanding of how the charity is constituted, its governance and management structures, and how its trustees are trained. In particular, the report must explain:</p> <ul style="list-style-type: none"> • the charity's organisational structure and, where relevant, those of its subsidiary undertakings; 	FRS 102 SORP 1.51			
<ul style="list-style-type: none"> • how the charity makes decisions, for example which types of decisions are taken by the charity's trustees and which are delegated to staff; 				
<ul style="list-style-type: none"> • the policies and procedures for the induction and training of trustees; 				
<ul style="list-style-type: none"> • the arrangements for setting the pay and remuneration of the charity's key management personnel and any benchmarks, parameters or criteria used in setting their pay; 				
<ul style="list-style-type: none"> • if the charity is part of a wider network (for example if it is affiliated with an umbrella group), how, if at all, this impacts on the operating policies adopted by the charity; 				
<ul style="list-style-type: none"> • relationships between the charity and related parties, including its subsidiary undertakings, and with any other charities and organisations with which it cooperates in the pursuit of its charitable objectives. 				
Reference and administrative details				
<p>The report must provide the following reference and administrative information about the charity and its trustees:</p> <ul style="list-style-type: none"> • the name of the charity, which in the case of a registered charity means the name by which it is registered. 	FRS 102 SORP 1.27			
<ul style="list-style-type: none"> • any other name which the charity uses; 				
<ul style="list-style-type: none"> • the charity registration number(s) for the jurisdiction(s) in which it is registered as a charity and, if applicable, its company registration number; 				
<ul style="list-style-type: none"> • the address of the principal office of the charity and, in the case of a charitable company, the address of its registered office²⁷. 				
<ul style="list-style-type: none"> • the names of all those who were the charity's trustees on the date the report was approved or who served as a trustee in the reporting period. 				
<ul style="list-style-type: none"> • where a charity has any corporate trustees, the names of the directors of the body corporate on the date the report was approved. 				
<ul style="list-style-type: none"> • the names of any trustee for the charity holding the title to property belonging to the charity (for example custodian trustee or nominee) on the date the report was approved; or 				
<ul style="list-style-type: none"> • who served as a trustee for the charity in holding the title to property belonging to the charity in the reporting period. 				

27. On occasions, the disclosure of the names of trustees or of the charity's principal address or the disclosure of the name(s) of any chief executive officer or other senior staff member(s) could lead to that person (or others) being placed in personal danger (e.g. in the case of a women's refuge). In such circumstances, the applicable law and regulations may permit the withholding of these details. Where a report omits the name of a trustee, chief executive officer or senior staff member or the charity's principal address, it should give the reason for the omission. Charities in England and Wales may omit the names of those persons and the charity's principal address from their report provided the Charity Commission has given the charity trustees the authority to do this. In Scotland there is also a provision under charity law for such information to be excluded. The directors of charitable companies registered in the UK should note that, with the exception of the name of the auditor, or senior statutory auditor in the case of an audit firm (section 506 Companies Act 2006), there is no corresponding dispensation in relation to the disclosure of names

FRS102 SORP REQUIREMENTS	Ref	YES	NO	N/A
Requirements for larger charities only are shaded²⁶				
The report must state to whom the trustees' delegate day-to-day management of the charity and from whom trustees are taking advice. In particular, the report must provide:	FRS 102 SORP 1.52			
<ul style="list-style-type: none"> the name of any chief executive officer or other senior management personnel to whom the charity trustees delegate day-to-day management of the charity on the date the report was approved or who served in such a position in the reporting period in question. 				
<ul style="list-style-type: none"> the names and addresses of any other relevant organisations or persons providing banking services or professional advice to the charity, including its solicitors, auditor and investment advisers. 				
Plans for future periods				
The report must provide a summary of the charity's plans for the future, including its aims and objectives and details of any activities planned to achieve them.	FRS 102 SORP 1.49			
<i>The report should explain the trustees' perspective of the future direction of the charity. It should explain, where relevant, how experience gained or lessons learned from past or current activities have influenced future plans and decisions about allocating resources to their best effect.</i>	FRS 102 SORP 1.50			
Funds held as a custodian trustee				
Where a charity has acted as custodian trustee ²⁸ during the reporting period it must disclose in the trustees' annual report (or as a note to the accounts):	FRS 102 SORP 19.13			
<ul style="list-style-type: none"> a description of the assets, classes of assets or categories of 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 the custodian charity's objects; and details of the arrangements for safe custody and segregation of such assets from the charity's own assets. 				

28. Note where a charity has acted as an agent it must make disclosures in the notes to the accounts

FUNDRAISING REQUIREMENTS	Ref	YES	NO	N/A
<p>Fundraising – note these regulations apply to all charities that must have their accounts audited which in England and Wales is different from ‘larger’ charities. There is no difference for charities in Scotland and Northern Ireland.</p> <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> – is an unreasonable intrusion on a person’s privacy – is unreasonably persistent – places undue pressure on a person to give money or other property 				

Appendix 2 – Charitable companies trustees' annual report additional disclosure checklist

This disclosure checklist summarises the requirements as at 31 July 2017 of the Companies Act 2006 and the relevant accounts and reports regulations.

This checklist should be read in conjunction with the Charities SORP and other applicable guidance.

COMPANIES ACT 2006 STRATEGIC REPORT REQUIREMENTS	Ref	YES	NO	N/A
A strategic report is only required for large and medium-sized charitable companies ²⁹ .				
The strategic report must be approved by the board of directors and signed on behalf of the board by a director or the secretary of the company.	s414D(1)			
The strategic report must contain-	s414C			
(a) a fair review of the business of the company, and				
(b) a description of the principal risks and uncertainties facing the company.				
The review required is a balanced and comprehensive analysis of the development and performance of the business of the company during the year, and the position of the company at the end of that year, consistent with the size and complexity of the business.				
The review includes an analysis using financial KPIs, to the extent that they are necessary for an understanding of the development, performance or position of the business of the company.				
For large companies, where appropriate, the review must also include an analysis using non financial KPIs including information relating to environmental factors and employee factors.				
The review, where appropriate, includes references to, and additional explanations of, amounts included in the annual accounts of the company.				
The strategic report may also contain such of the matters otherwise required by schedule 7 of the accounting regulations to be disclosed in the directors' report as the directors consider are of strategic importance to the company.	s414C(11)			

28. Companies that have taken advantage of the exemptions from including certain information in their directors' report, or from preparing a strategic report, because they qualify for the small companies regime, shall include in their directors' report a statement that the small companies exemption has been taken, in a prominent position above the signature. (CA 2006 s419(2))

COMPANIES ACT 2006 DIRECTORS' REPORT REQUIREMENTS	Ref	YES	NO	N/A
A separate statutory directors' report does not need to be prepared for charitable companies provided that the trustees' annual report contains all the information required to be provided under the Companies Act 2006. There is inevitably some duplication between the Companies Act requirements and those of the Charities SORP, but they have been included in the interests of completeness.				
The directors' report should be approved by the Board of directors and signed by a director or the company secretary on its behalf. The name of the director or company secretary so signing should be stated.	s419(1)			
The names of all of the persons who were directors during the period should be given.	s416(1a)			
Disclose the following for political donations and expenditure in the EU area (separately identified by reference to each subsidiary). The scope of this requirement includes donations made to any independent election candidate:	Acc Regs Sch7:3-5/ Small Co			
(a) the name of each registered party or other EU political organisation which has been the recipient of a donation;	Acc Regs Sch 5:2-3			
(b) the total amount given to that party or organisation in the financial year; and				
(c) the total amount of EU political expenditure incurred by the company in the financial year.				
This disclosure is only required if the aggregate amount of all donations and expenditure made by a company and its subsidiaries exceeds £2,000.				
Disclosure is also required for contributions to non-EU political parties as a single aggregate figure for the financial year.				
Provisions for the benefit of one or more directors of the company.	s236(2)(3)			
If –				
(a) at the time when the directors' report is approved any qualifying third party indemnity provision (whether made by the company or otherwise) is in force for the benefit of one or more directors of the company, or				
(b) at any time during the financial year, any such provision was in force for the benefit of one or more persons who were then directors of the company,				
the directors' report must state that any such provision is or (as the case may be) was so in force.				
Provisions for the benefit of one or more directors of an "associated company".	s236(2)(3)			
If the company has made a qualifying third party indemnity provision and				
(a) at the time when the directors' report is approved any qualifying third party indemnity provision made by the company is in force for the benefit of one or more directors of an associated company, or				
(b) at any time during the financial year, any such provision was in force for the benefit of one or more persons who were then directors of an associated company,				
the directors' report must state that any such provision is or (as the case may be) was so in force.				

COMPANIES ACT 2006 DIRECTORS' REPORT REQUIREMENTS	Ref	YES	NO	N/A
The report must contain a statement to the effect that, in the case of each of the persons who are directors at the time when the directors' report is approved, the following applies:	s418			
(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and				
(b) he/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.				
The following disclosures are only required where the average number of employees exceeds 250:				
State the company's policy as to:	Acc Regs Sch 7:10/ Small Co			
(a) employment of disabled persons,				
(b) continued employment and training of persons who become disabled while in the company's employment, and	Acc Regs Sch 5:5			
(c) training, career development and promotion of disabled people.				
Describe the action that has been taken during the financial year to introduce, maintain or develop arrangements:	Acc Regs Sch7:11			
(a) to provide employees systematically with information on matters of concern to them;				
(b) regularly to consult employees, or their representatives, for views on matters affecting them;				
(c) to encourage employee involvement in the company's performance through share schemes or otherwise; and				
(d) to make all employees aware of financial and economic factors affecting the performance of the company.				
The following disclosures are only required for large and medium-sized charitable companies:				
Where a company has chosen in accordance with section 414C(11) of the Act to set out in the company's strategic report information required by schedule 7 to the accounting regulations to be contained in the directors' report it shall state in the directors' report that it has done so and in respect of which information it has done so.	Acc Regs Sch7:1A			
In relation to the use of financial instruments by a company and its subsidiary undertakings, the directors' report must contain an indication of:	Acc Regs Sch 7:6(1) (2)			
(a) the financial risk management objectives and policies of the company and its subsidiary undertakings included in the consolidation, including the policy for hedging each major type of forecasted transaction for which hedge accounting is used; and				
(b) the exposure of the company and its subsidiary undertakings included in the consolidation to price risk, credit risk, liquidity risk and cash flow risk.				
This is not required if the information is not material for the assessment of the assets, liabilities, financial position and profit or loss of the company and its subsidiary undertakings included in the consolidation.				

COMPANIES ACT 2006 DIRECTORS' REPORT REQUIREMENTS	Ref	YES	NO	N/A
Particulars of any important events which have occurred since the end of the financial year in relation to the company and its subsidiary undertakings should be given.	Acc Regs Sch7:7			
An indication of likely future developments in the business of the company and its subsidiary undertakings should be given.	Acc Regs Sch7:7			
An indication of any activities in the field of research and development in relation to the company and its subsidiary undertakings should be given.	Acc Regs Sch7:7			
An indication of the existence of branches of the company outside the UK, unless it is an unlimited company.	Acc Regs Sch 7:7(d)			

Appendix 3 – Deloitte's Charities and Not For Profit Group

Our dedicated Charities and Not For Profit Group is made up of specialists with expertise and a passion for working with clients in the sector. Please visit www.deloitte.co.uk/charitiesandnotforprofit for more information about the Group.

With access to a group of specialists spread across the country, we will provide truly local expertise and service, backed up by the resources of a National Team.

Please feel free to contact any of the team members if you would like more detailed information and advice or would like to meet with us to discuss any current issues for your charity.

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Designed and produced by The Creative Studio at Deloitte, London. J13456