



Trustees' Annual Reports: Guidance and Good Practice

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1. Introduction

What this guidance covers

Every year you need to send us:

1. the online annual return
2. statement of accounts
3. trustees' annual report and
4. external scrutiny report.

This guidance explains what a trustees' annual report is, what the law says it must contain and how you can use it to benefit your charity.

In this guidance we refer to the trustees' annual report as a TAR.

Who is the guidance for?

This guidance is aimed at charity trustees of small to medium sized charities to help them produce a TAR. It may also be useful to people working with or advising **charity trustees**.

Who is the guidance for?

The **glossary** provides you with further information, definitions and descriptions of some key terms. We've highlighted these key terms in bold purple type. Clicking on these terms will take you straight to the **glossary**.

Sources of help and advice

The TAR is part of the annual report and accounts and there are legal requirements for the content so you need to make sure you get it right.

There's more guidance from OSCR on our charity accounting [webpage](#).

These organisations can help with some or all of the areas set out in the guidance as well:

- Local **Third Sector Interfaces** offer a range of support to voluntary organisations.
- The **Scottish Council for Voluntary Organisations (SCVO)**.
- You may need to consult a professional advisor. The **Institute of Chartered Accountants in Scotland (ICAS)** or the **Association of Chartered Certified Accountants (ACCA)** may be able to help you to identify a professional firm with expertise in charity accounting.
- The **Association of Charity Independent Examiners (ACIE)** may be able to help you find an independent examiner with expertise in charity accounting.
- If your charity is part of an umbrella organisation, such as **Early Years Scotland** or the **Development Trusts Association Scotland**, the umbrella organisation or parent charity may be able to give you support.

2. What is a TAR?

A trustees' annual report is the narrative part of your accounts. It contains information about the **charity**; how it is run; its activities and achievements; and helps to explain the numbers in the accounts.

The TAR is really about telling the story of what has happened in your charity over the past year and helps readers understand why you have spent money in the way you have.

A trustees' annual report doesn't have to be a big piece of work.

Documents such as newsletters to members, annual reviews and reports to funders can often be useful sources of information to include in the TAR.

A TAR is part of the legal reporting requirements for all Scottish charities, but it can be much more. It's also your opportunity to:

- tell your story
- explain what the numbers mean
- show how you spent your money and what difference you make
- show the public, donors, beneficiaries, members and the media that you are accountable and transparent.

3. Why it is important to prepare a good TAR?

As **charity trustees** you should see the TAR as the opportunity to tell your charity's story and consider the best way to get that message across. Explaining to your supporters, beneficiaries and the wider public what you do and how you are really making a difference helps you build strong relationships with stakeholders.

A good TAR:

- demonstrates how your charity is run and what it does
- connects with a wide audience
- helps to deflect potential bad publicity.
- can be used for a range of reasons
 - as a call to action
 - to help people connect to your campaigns
 - to show (potential) funders how they can help

The main purpose of the report is to make sure your charity is publicly accountable to its stakeholders for any funds received and activities carried out. Financial information alone does not allow a reader to gain a full picture of the charity. For example, it cannot easily explain:

- what the charity has done – its outputs
- what the charity has achieved – its outcomes
- what difference the charity has made – its impacts and benefits.

A good TAR can help potential funders to understand what the charity is doing and how their contribution could help the charity achieve its objectives.

The TAR also contains information about the structure and governance of the charity such as who its trustees are and how it is managed and run. This can help readers to understand who to contact if they have queries or want to get involved.

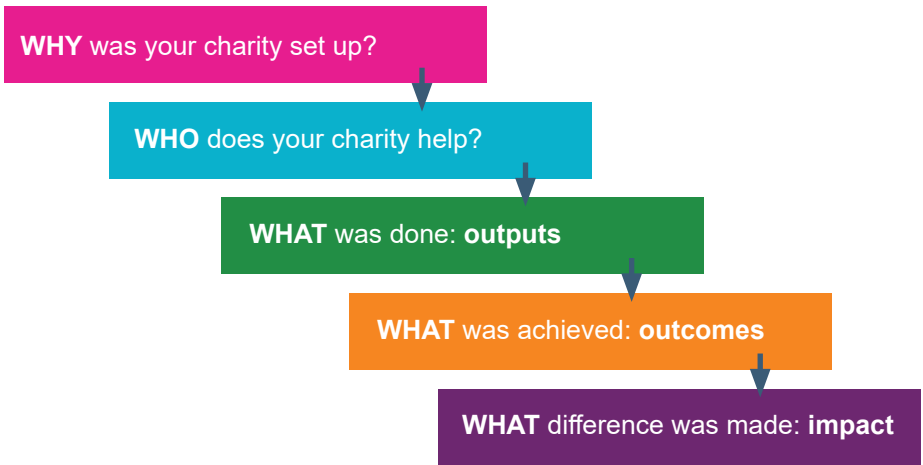
4. What a TAR needs to include

There are legal requirements as to the minimum information that needs to be included in the TAR. However, there is flexibility over the way it can be presented and freedom for charity trustees to provide more detail or explanations, if they think this could be helpful for readers.

Charity trustees need to think about how best to present the information to their audience. Graphs or pictures may help with telling the story and engaging readers of the report.

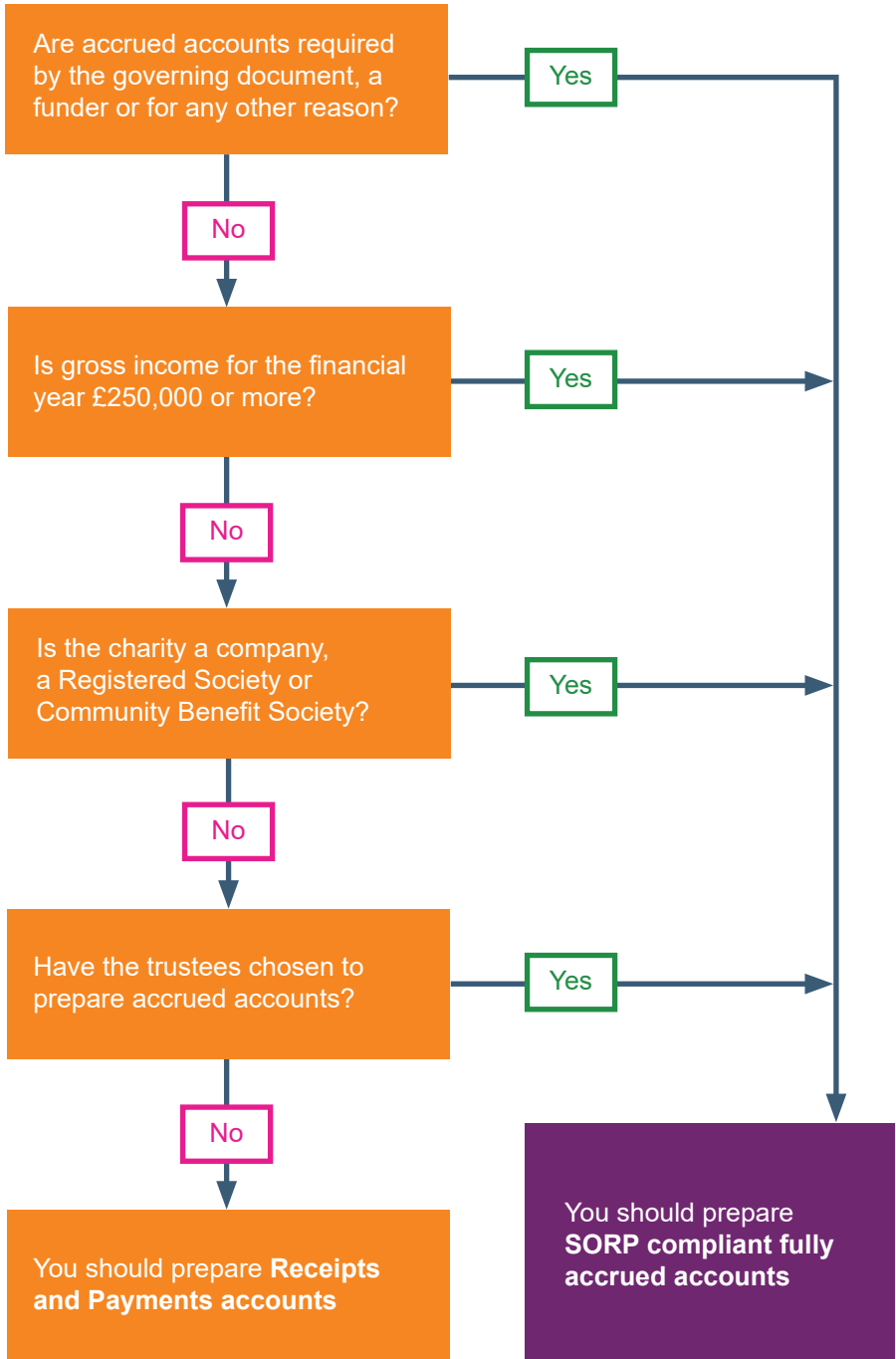
For example, some charities use charts to show how their income has been spent and how users have benefitted from the services provided.

TARs should be eye catching and easy to understand. They should cover the following key concepts:



Before you start your TAR you need to know which type of accounts you need to prepare. The type of accounts will determine what information you must include.

Use the flowchart on the next page to decide what type of accounts you need to prepare:



4.1 Legal requirements for receipts and payments accounts

The **Charities Accounts (Scotland) Regulations 2006** set out the requirements for the TAR for charities preparing **receipts and payments accounts**. These accounts can be prepared by all non-company charities whose gross annual income is less than £250,000 and where there is no requirement within the charity's governing document or by funders to prepare accrued accounts.

Legal Requirement	What does it mean?
Charity name	The name of the charity as it appears on the Scottish Charity Register.
Charity number	This is the unique number given to all Scottish charities, beginning with SC0 (zero) followed by five numbers.
Charity's principal address	The names of all the charity trustees on the date the annual report was approved unless: <ul style="list-style-type: none">• There are more than 50 charity trustees, in which case the names of 50 charity trustees will be sufficient; or• The charity is entitled to exclude the names because of safety concerns (decided by OSCR).

Legal Requirement	What does it mean?
<p>Names of the charity trustees on date of approval of Trustee' Annual Report</p>	<p>The names of all the charity trustees on the date the annual report was approved unless:</p> <ul style="list-style-type: none"> • There are more than 50 charity trustees, in which case the names of 50 charity trustees will be sufficient; or • The charity is entitled to exclude the names because of safety concerns (decided by OSCR).
<p>Names of all other charity trustees</p>	<p>The name of anyone else who has been a charity trustee during the financial year covered by the accounts the annual report forms part of, unless the charity is entitled to exclude the names because of safety concerns (decided by OSCR).</p>
<p>Type of governing document</p>	<p>A charity's governing document will state its purposes, set out how the charity operates and what activities it can undertake.</p> <p>It may be in the form of one document or several documents. For a Trust it will be the Trust Deed, other charities may simply call it a Constitution.</p>

Legal Requirement	What does it mean?
Trustee recruitment and appointment	A description of how the charity trustees are recruited and appointed, including the name of any external organisation that is entitled to appoint charity trustees (for example, a parent body or local authority).
Charitable purposes	A summary of the purposes of the charity from its governing document. The purposes are what the charity is set up to achieve and can also be found on the charity's entry on the Scottish Charity Register.
Summary of the main activities and achievements of the charity	<p>A description of the main activities that the charity is undertaking to achieve its purposes. This should give anyone reading the accounts a clear understanding of the activities of the charity and how these further the purposes of the charity.</p> <p>The charity should clearly state what it has achieved through its activities.</p>
Policy on reserves	Details of the charity's reserves policy. See our Charity Reserves Factsheet for more information.

Legal Requirement	What does it mean?
<p>Details of any deficit</p>	<p>If a deficit (where the charity has spent more than it received in the financial year) is shown in the accounts, the charity trustees should provide information about how this happened and, if appropriate, what steps are being taken to rectify it.</p>
<p>Donated services and facilities (does not include donated goods for resale)</p>	<p>Many charities will benefit from services or facilities which are donated to them. These will not appear in receipts and payments accounts but information about the value of these donated services or facilities should be included in the TAR to allow readers to understand the value that has been contributed to the charity.</p>

4.2 Legal requirements for fully accrued accounts

The **Charities Statement of Recommended Practice (SORP)** sets out the requirements for the TAR for charities preparing fully accrued accounts. Under SORP if you have an income under £500,000 you need to include the following:

Legal Requirement	What does it mean?
Charity name	The name of the charity as it appears on the Scottish Charity Register plus any other name that the charity uses.
Charity number	This is the unique number given to all Scottish charities, beginning with SC0 (zero) followed by five numbers. Where the charity is also a company, the company registration number must also be given.
Charity's principal address	<p>The address of the principal office of the charity.</p> <p>Where the charity does not have an office, the name and address of one of the charity trustees must be included, unless the charity is entitled to exclude the address from its entry in the Register because of safety concerns (decided by OSCR). Where the charity is also a company, the company's registered office must also be given. (This cannot be excluded on the grounds of safety).</p>

Legal Requirement	What does it mean?
<p>Names of the charity trustees on date of approval of Trustee' Annual Report</p>	<p>The name of all the charity trustees on the date the annual report was approved.</p> <p>Where a charity has a corporate trustee, names of the directors of the corporate body on the date of signature.</p> <p>Names of any trustee for the charity holding the title to property belonging to the charity on the date the report was approved or at any time during the year.</p> <p>The above information is not required where the charity is entitled to exclude the names because of safety concerns (decided by OSCR).</p>
<p>Names of all other charity trustees</p>	<p>The name of anyone else who has been a charity trustee (including those who served as a trustee for the charity in holding the property) during the financial year covered by the accounts the annual report forms part of, unless the charity is entitled to exclude the names because of safety concerns (decided by OSCR).</p>

Legal Requirement	What does it mean?
<p>Type of governing document and details of how the charity is constituted</p>	<p>A charity's governing document will state its purposes and set out how the charity can operate and what activities it can undertake.</p> <p>It may be in the form of one document or several documents. For a Trust it will be the Trust Deed, other charities may simply call it a Constitution.</p> <p>Charities should include details of how they are constituted such as limited company, unincorporated association or SCIO.</p>
<p>Trustee recruitment and appointment</p>	<p>A description of how the charity trustees are recruited and appointed, including the name of any external organisation that is entitled to appoint charity trustees (for example, parent body, local authority).</p>
<p>Charitable purposes and activities</p>	<p>A summary of the purposes of the charity from its governing document. The purposes are what the charity is set up to achieve.</p> <p>A description of the main activities that the charity is undertaking to achieve its purposes. This should give anyone reading the accounts a clear understanding of the activities of the charity and how these further the purposes of the charity.</p>

Legal Requirement	What does it mean?
Summary of the main achievements of the charity	The charity should clearly state what they have achieved through their activities. This 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.
Financial review	The report must explain the financial position of the charity at the end of the year. The financial review should be consistent with the figures in the accounts.
Policy on reserves	Details of the charity's reserves policy. See our Charity Reserves Factsheet for more information.
Details of any deficit	If a deficit (where more has been spent than received) is shown on any fund the charity trustees should provide information about how this happened and what steps are being taken to rectify it.
Details of any going concern uncertainty	If there is any uncertainty over the ability to continue as a going concern then this should be explained. Going concern means that the charity will continue with its activities for at least, but not limited to, 12 months from the date the accounts are approved unless the charity trustees intend to wind it up or have no other option.

If your charity has income of more than £500,000 there are also additional requirements for your TAR. Please refer to module 1 of the **Charities Statement of Recommended Practice** for more information.

5. Who is responsible for preparing the TAR?

The **charity trustees** are ultimately responsible for preparing the TAR. They are the people who are in management and control of the charity and who are best placed to understand the achievements and activities of the charity over the year.

Charity trustees may get assistance from the charity's staff or from professional advisors in drafting the report but they are the ones who approve the final report and retain the ultimate responsibility for its content. Your auditor or independent examiner cannot write the report for you but will be able to advise if the content is compliant with legal requirements.

One or more charity trustees must sign and date the report as a means of approving it on behalf of all the other charity trustees.

6. Getting started

The TAR may form part of your annual accounts, but that doesn't mean you have to wait for the final numbers before you can start writing. Preparing the TAR can be an ongoing process.

You might decide to have a dedicated charity trustee meeting to bring together ideas, or the preparation of the TAR could be a standing item on the agenda for charity trustee meetings so that it can be thought about on an ongoing basis or drafted in stages.

The first step is to go back to basics and make sure that you understand the purposes of your charity:

1. Look at your **governing document** to make sure you understand the charity's purposes and that they reflect what the charity is actually doing. If not you may need to consider what you are doing or if the purposes need to be changed. See **Being a Charity in Scotland** and **Making changes to your charity** for more information.
2. Once you are clear on the **charity's purpose(s)** you need to explain how the activities have advanced those purposes, or show what difference the charity has made in trying to achieve those purposes. News items on your website and reports for funders can be useful sources of information to include in the TAR.
3. Think about how the charity has actually been running and its finances. Does the charity have reserves and a reserves policy? Being clear about the activities of the charity should help you to develop a policy if you do not already have one. See our **Charity Reserves Factsheet** for more information.

However you approach writing your TAR **remember** who your target audience is, and identify the key messages you want them to remember.

7. What OSCR does with the TAR?

We publish the annual reports and accounts for all charities with an income of at least £25,000 and all those that are constituted as **Scottish Charitable Incorporated Organisations (SCIOs)**. We remove personal details from the annual reports and accounts before publishing them on the charity's entry on the Scottish Charity Register.

Charities must also give a **copy of their governing document and/or the latest examined or audited accounts** to anyone that asks for them. Good practice is to publish your governing document and accounts on the charity's website and provide a link from your charity's entry in the **Scottish Charity Register** to the appropriate webpage – this helps readers to look at the information in context and to easily access more information about the charity if they want to.

We review a sample of TARs to assess the quality of reporting and potentially identify issues of regulatory concern. We don't assess every TAR submitted to us or endorse any TARs.

8. Useful links

- **OSCR Presentation on TARs**
www.oscr.org.uk/news/video-advice-on-creating-an-effective-trustees-annual-report
- **OSCR Blog on TARs**
www.oscr.org.uk/blog/2017/february/27/telling-your-story-making-the-trustees-annual-report-work-for-your-charity
- **OSCR Receipts and Payments Work pack**
www.oscr.org.uk/charities/managing-your-charity/charity-accounting/receipts-and-payments-accounts
- **NCVO Communications toolkit**
www.ncvo.org.uk/images/documents/about_us/media_centre/NC963-Communications-Toolkit_V4.pdf
- **Charities SORP website**
www.charitySORP.org

Notes

Notes

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This booklet was first published 13 December 2017