

9. Disclosure of trustee and staff remuneration, related party and other transactions

Introduction

- 9.1. A charity's accounts should inform the user and help them to assess a charity's financial performance and position, and the stewardship exercised by its trustees over the charitable funds held.
- 9.2. Section 15 of the FRSSE sets out the disclosure required for related party transactions. This SORP extends those requirements to provide additional information about remuneration and other transactions relevant to the assessment of stewardship which charities adopting this SORP must provide.
- 9.3. The disclosure of certain transactions is important for stewardship purposes to provide assurance that the charity is operating for the public benefit and that its trustees are acting in the interests of their charity and not for private benefit. For this reason, this SORP requires that disclosure must be made of transactions involving trustees, related parties, staff remuneration and ex-gratia payments. The payments made to the auditor or independent examiner must also be disclosed.
- 9.4. A transaction involving a trustee or other related party must always be regarded as material regardless of its size. A charity must make the same disclosures for de facto trustees (see Appendix 1, '[Glossary of terms](#)') as for trustees.
- 9.5. This module sets out:
 - disclosure of trustees' remuneration and benefits;
 - disclosure of trustees' expenses;
 - transactions with related parties that require disclosure;
 - transactions with related parties that do not require disclosure;
 - disclosure of related party transactions;
 - disclosure of audit, independent examination and other financial service fees;
 - disclosure of ex-gratia payments; and
 - disclosure of staff costs and emoluments.

Disclosure of trustees' remuneration and benefits

- 9.6. Most trustees are volunteers who give their time and expertise without charge. However, provided the arrangement is legally authorised, a trustee may be remunerated for their role as a trustee. On occasions, a trustee may also be employed in some other role, either directly by the charity or by a related entity, including a subsidiary, joint venture or associate of the charity.
- 9.7. This SORP requires that charities must disclose in the notes to their accounts that either:
- none of the trustees have been paid any remuneration or received any other benefits from an employment with their charity or a related entity; or
 - one or more of the trustees has been paid remuneration or has received other benefits from an employment with their charity or a related entity.
- 9.8. Section 17 of the FRSSE sets out the disclosures required by company law in relation to directors' remuneration. This SORP expands on these aggregate disclosures so that information is presented in charity accounts for each individual trustee who received remuneration or other benefits in the financial year. In particular, this SORP requires that the following information must be provided:
- the legal authority under which the payment was made (for example a provision in the governing document of the charity, an Order of the Court, or the charity regulator for the jurisdiction(s) of registration);
 - the name of the remunerated trustee;
 - details of why the remuneration or other employment benefits were paid;
 - the amount of remuneration paid;
 - the amount of any pension contributions paid by the charity for the reporting period; and
 - the amount of any other benefit, for example any termination benefits, private health cover or the provision of a vehicle.
- 9.9. If a trustee receives remuneration or other benefits from their employment with the charity in addition to their trusteeship, the note may distinguish between remuneration and benefits received as a trustee, if any, from that received for other services or other employment with the charity.

Disclosure of trustees' expenses

- 9.10. Trustees may incur costs in fulfilling their duties, for example in travelling to meetings or visiting charity facilities or activities to understand or monitor what is taking place. The reimbursement of properly incurred expenses is not considered a payment for goods or services or the remuneration of a trustee, nor does it count as any kind of personal benefit.

Accounting and reporting by charities

- 9.11. Trustee expenses include the reimbursement by a charity of costs incurred by its trustees in carrying out their duties and similar payments made by a charity direct to third parties on their behalf. For example, a charity may purchase travel tickets or pay for accommodation used by its trustees when carrying out their duties.
- 9.12. This SORP requires that all charities must disclose either:
- that no trustee expenses have been incurred; or
 - that one or more of the trustees has claimed expenses or had their expenses met by the charity.
- 9.13. If expenses have been incurred, this SORP also requires that charities must disclose:
- the total amount of expenses reimbursed to trustees or paid directly to third parties;
 - the nature of those expenses (for example travel, subsistence, accommodation, entertainment etc.); and
 - the number of trustees reimbursed for expenses or who had expenses paid by the charity.

Transactions with related parties that require disclosure

- 9.14. A decision by a charity to enter into any transaction must be made in the charity's own interests and for the benefit of its beneficiaries. The disclosure of related party transactions is an important element of transparency in financial reporting because:
- related parties may enter into transactions that unrelated parties would not;
 - transactions between related parties may not be made at the same amounts or on the same terms as those between unrelated parties; and
 - the existence of the relationship may be sufficient to affect the transactions of the charity with other parties.
- 9.15. Users of the accounts need to be able to assess whether the relationship between the charity and the other party or parties to a transaction may have been influenced by interests other than those of the charity. Disclosing related party transactions also shows how far, if at all, the reported financial position and activities may have been affected by such transactions.
- 9.16. Related party disclosures are dealt with in section 15 of the FRSSE. Related parties include a charity's trustees and their close family members and those entities which they control or in which they have a significant interest. Entities related to a charity include any subsidiary, joint venture or associate of the charity. Appendix 1, 'Glossary of terms' provides a full definition of persons or entities that must be regarded as a related party for disclosure purposes. This SORP extends the definition provided in the FRSSE to include all persons and institutions that are deemed to be connected with a charity or a trustee in charity law.

Accounting and reporting by charities

- 9.17. In considering a possible related party relationship, a charity must assess the substance of the relationship and not merely its legal form. For example, if a person has significant influence over a charity's decision-making or if a charity acts on their instructions, then that person must be treated as related to the charity.
- 9.18. This SORP requires all transactions between a charity and a related party must be disclosed subject to the exemptions set out in the following paragraphs.

Transactions with related parties that do not require disclosure

- 9.19. Paragraph 15.7 of the FRSSE sets out certain transactions that do not require disclosure as a related party transaction. These include pension contribution paid into a pension fund, emoluments in respect of services as an employee, transactions with providers of finance in the course of their business and transactions with a customer, supplier, franchiser, distributor or general agent. However, this SORP does require the disclosure of pension contributions and emoluments when payments are made in respect of a trustee or other related party. Similarly, this SORP requires the disclosure of transactions between the members of a group controlled by a charity must be disclosed even if the subsidiary is wholly owned or controlled.
- 9.20. The following transactions involving trustees or other related parties need not be disclosed unless there is evidence to indicate that they have influenced the charity's activities or use of resources:
- Donations to the reporting charity from a trustee or a related party provided the donor has not attached conditions which would, or might, require the charity to alter significantly the nature of its existing activities if it were to accept the donation. Examples of conditions that make the donation a transaction that must be disclosed include: requiring the charity to purchase goods or services from a specified supplier; making an interest bearing loan to the charity; or requiring that payments be made to a specified third party.
 - Services provided on a voluntary basis to a charity as an unpaid general volunteer by a trustee or other related party.
 - Contracts of employment between the charity and its employees (except where the employee is a trustee or other related party).
 - Contributions by the charity to a pension fund for the benefit of employees (except where the employee is a trustee or other related party).
 - The purchase from the charity by a trustee, or other related party, of minor articles which are offered for sale on the same terms as they are offered to the general public, for example a small purchase made from a charity shop.
 - The provision of services to a trustee or other related party where the services are received on the same terms as they are received by other beneficiaries of the charity. Examples include the use of a village hall by members of its committee of management as inhabitants of the area of benefit.
 - The payment or reimbursement of out-of-pocket expenses where the trustee acts as agent for charity (but certain details of trustee expenses must be disclosed – see '[Disclosure of trustees' expenses](#)' above).

- The amount of any expenses waived by a trustee need not be disclosed unless the amount is material in the context of a charity's total expenditure.

Disclosure of related party transactions

- 9.21. If there have been no related party transactions in the reporting period that require disclosure, this SORP requires that this fact must be stated.
- 9.22. The FRSSE requires that charities that have one or more related party transactions must disclose:
- the names of the transacting related parties;
 - a description of a relationship between the parties;
 - a description of the transactions;
 - the amounts involved;
 - any other elements of the transactions necessary for an understanding of the accounts;
 - the amounts due to or from related parties at the balance sheet date and provisions for doubtful debts due from such parties at that date; and
 - amounts written off in the period in respect of debts due to or from related parties.
- 9.23. Paragraph 15.6 of the FRSSE allows charities to disclose related party transactions on an aggregated basis (aggregation of similar transactions by type of related party) unless disclosure of an individual transaction, or connected transactions, is necessary for an understanding of the impact of the transactions on the accounts of the reporting charity or is required by law.

Disclosure of audit, independent examination and other financial service fees

- 9.24. This SORP requires that charities must disclose in the notes to the accounts the amounts payable to their auditor or independent examiner, analysed between fees payable for:
- statutory audit or independent examination;
 - assurance services other than audit or independent examination;
 - tax advisory services; and
 - other financial services, for example consultancy, financial advice or accountancy services.

Disclosure of ex-gratia payments

- 9.25. An ex-gratia payment is a payment (or the waiver of a right to an asset) which the trustees have no legal obligation or legal power to make from a charity's funds but which they believe they have a moral obligation to make. For the purposes of disclosure, occasional gifts of small and inexpensive items such as flowers or chocolates should not be regarded as ex-gratia payments.
- 9.26. This SORP requires that charities must disclose details of all ex-gratia payments made including those where the charity has obtained the authority of the Court, the Attorney General or the charity regulator for the jurisdiction(s) of registration to sanction the payment or waiver. Charities may aggregate payments of a similar nature where this does not impact on the understanding of the arrangement. For each payment (or in aggregate) the notes to the accounts must:
- provide an explanation of the nature of the payment;
 - state the legal authority or reason for making the payment; and
 - state the amount of the payment (or value of any waiver of a right to an asset).

Disclosure of staff costs and emoluments

- 9.27. This SORP requires that charities reporting on an activity basis must provide details of their total staff costs for the reporting period, analysed between:
- wages and salaries;
 - social security costs;
 - employer's contribution to defined contribution pension schemes;
 - the operating costs of defined benefit pension schemes (excluding pension finance costs related to defined benefit pension schemes); and
 - other forms of employee benefits.
- 9.28. In addition, the note must state the amount of any redundancy or termination payments relating to the reporting period.
- 9.29. The information provided for staff costs and emoluments must also include any expenditure on staff working for the charity whose contracts are with and are paid by a related party.
- 9.30. This SORP requires that all charities must disclose the average head count (number of staff employed) during the reporting period. Charities may also provide details of the average number of full-time and part-time staff for the reporting period together with an estimate of the equivalent number of full-time staff. Further analysis of staffing according to the number of staff engaged in particular activities of the charity may also be provided where this information helps the user of the accounts understand how staff are deployed.

Accounting and reporting by charities

9.31. This SORP also requires that all charities must disclose:

- the fact that there are no employees who received emoluments (excluding employer pension costs) of more than £60,000 (€70,000); or
- the number of employees whose total emoluments (excluding employer pension costs) for the reporting period fell within each band of £10,000 (€10,000) from £60,000 (€70,000) upwards.

9.32. The trustees of charities, particularly larger charities (charities subject to charity audit), should give consideration to the information needs of their funders and other stakeholders in making their accounting disclosures. For example, it may be helpful to provide details of the remuneration and other benefits received by the charity's Chief Executive officer or highest paid staff member, or alternatively a charity may choose to disclose the amount of remuneration and other benefits paid to its key management personnel on an individual basis.