

Better annual reports

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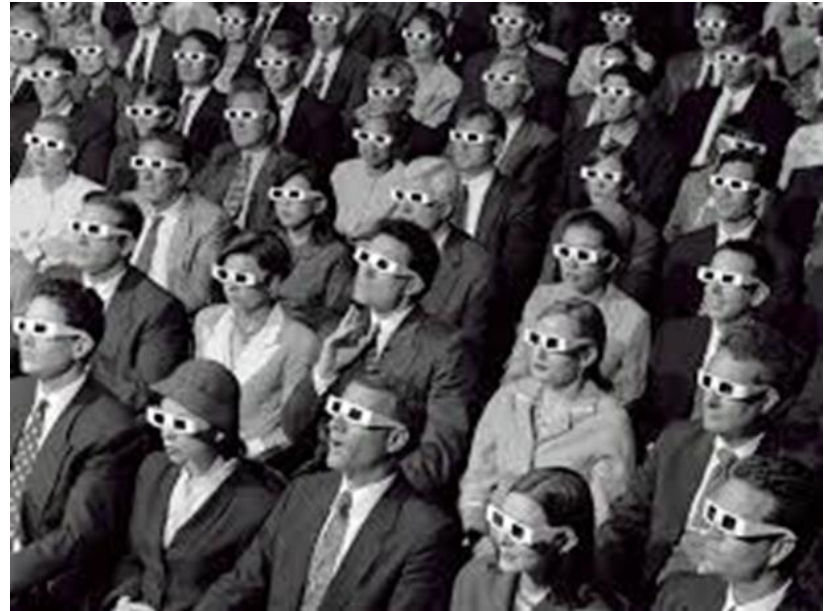
“Let’s just issue last year’s annual report and see if anyone notices.”

WHAT'S YOUR STORY?



Who is your audience?

- Funders, donors and supporters
- Trustees and staff
- Service users
- Other beneficiaries
- Regulators
- Auditor/examiner
- Everyone!





Purpose of trustees' report and accounts

- What is the charity set up to do?
- What resources are available to it?
- How have these resources been used?
- What has been achieved as a result of its activities?

SORP introduction paragraph 13



Context for reporting

Legal purposes



Aims and objectives



Activities (outputs)



Achievements (outcomes)



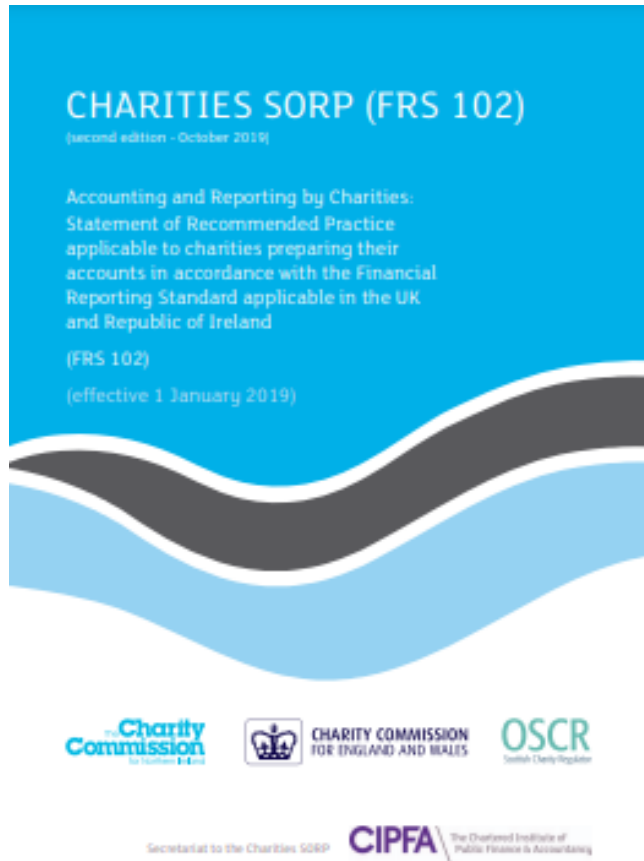
Difference made (impact)

Impact

- The difference the charity's work has made to the circumstances of its beneficiaries and wider society



What does the SORP say?



SORP Chapter 1

- Overview and purpose
- Who is responsible
- Small v large
- Context
- Content



Purpose of the report? Para 1.1

- Publicly accountable to stakeholders
- Stewardship and management of funds
- Consider the information needs of primary users
 - Funders
 - Donors
 - Financial supporters
 - Service users
 - Other beneficiaries

Para 1.2 – ‘Fair, balanced and understandable review’





Content (and suggested order)

- Objectives and activities
- Achievements and performance
- Financial review
- Plans for future periods (large only)
- Structure, governance and management
- Reference and administrative details
- Exemptions from disclosure
- Funds held as custodian trustee



Contents as questions to answer

| | |
|---|------------------------------------|
| What are we doing? | Objectives & activities |
| What did we do & how well did we do it? | Achievements & performance |
| How did we afford it? | Financial review |
| What are we planning? | Plans for future periods |
| How do we work? | Structure, governance & management |
| Who is involved? | Reference & admin |
| What else do we look after? | Custodianship |



Objectives and activities

- 1.35. Good reporting provides a coherent explanation of the charity's strategies for achieving its aims and objectives and explains how the activities it undertook contributed to their achievement.



Public benefit statement – boiler plate

The trustees have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the charity's aims and objectives and in planning its future activities. In particular, the trustees consider how planned activities will contribute to the aims and objectives that have been set.



Public benefit statement – what else?

A good public benefit statement will contain the following elements:

- It will be composed on each of the charity's purposes.
- It will identify the benefit from the purpose.
- It will give evidence as to how that benefit can be identified.
- If there is any harm resulting from a purpose being carried out, it will address how that harm is outweighed by the benefits.
- It will show who benefits from that purpose, and
- If there is a private benefit to any individual, the statement should highlight how that benefit does not directly flow from the charity's purpose, but is one which is incidental to the purpose, or it is a necessary benefit to allow the organisation to carry out its purpose.

<https://www.charitycommissionni.org.uk/media/1463/20170329-thematic-report-lessons-from-the-public-benefit-requirement.pdf>



SORP: Activity based reporting

- Activity based reporting
- Reflected in statement of financial activities (SoFA) – funding for activities linked to expenditure on those activities
- Link to trustees' annual report



Questions for you to consider:

- What are your charitable activities?
- Is there a clear thread running from your trustees' report to accounts?
- How do you report in your management accounts?
- Would your charity's report and accounts be easier to understand with clearer charitable activities?



Achievements and performance

- 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 the supporting evidence, and demonstrates the extent of performance and achievement against the objectives set and the lessons learned.



Financial review

- Principal funding sources & how expenditure has supported key objectives
- Reserves policy
- Risk policy, principal risks and management of those
- Any funds in deficit
- Investment policy & ethical policies, if relevant



Reserves policy





What should a reserves policy contain?

- At a minimum:
 - reasons why reserves needed
 - level or range of reserves needed
 - action to achieve desired level
 - arrangements for review
- SORP requires actual £ at year end
- Explain designated funds
- Should balance the needs of current and future beneficiaries
- Take a longer term view



Principal risks and uncertainties

- Risks ‘and uncertainties’
- Are these the same as your risk register?
- Top and most relevant strategic risks
- Dynamic based on external environment
- Present in a table along with the mitigations for each risk?
- Clear link into other areas of the report and your financial position

Fundraising compliance





Fundraising statement – SORP

- Larger charities
- The report **MUST** review
 - the performance of material fundraising activities against the fundraising objectives set;
 - 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.



Fundraising statement – the law

- The charity **MUST** disclose:
 - its approach to fundraising, including its activities and whether it uses professional fundraisers or commercial participators;
 - participation in fundraising regulation and compliance with codes;
 - any non-compliance with any code;
 - the number of complaints received;
 - how the charity protects vulnerable people; and
 - how the charity monitors its fundraising activities undertaken by third parties

PWC Building Public Trust awards

- Category for Charities
- Charity 100 index
- 15 expert judges
- High quality is better (not necessarily more) information
- A compelling story





Key principles of good reports

- Easy to read and engaging
- Clear communication of purpose
- Open on approaches to key issues
- Report available on charity's website
- Clear focus on public benefit
- Explanation of governance and risks
- Measures of success and impact
- Key drivers for performance

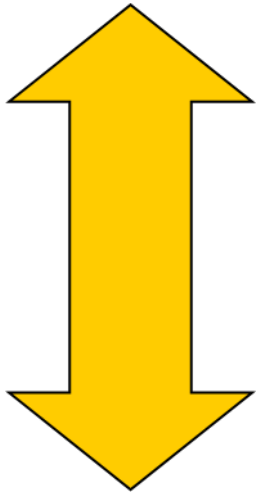


Changing Times

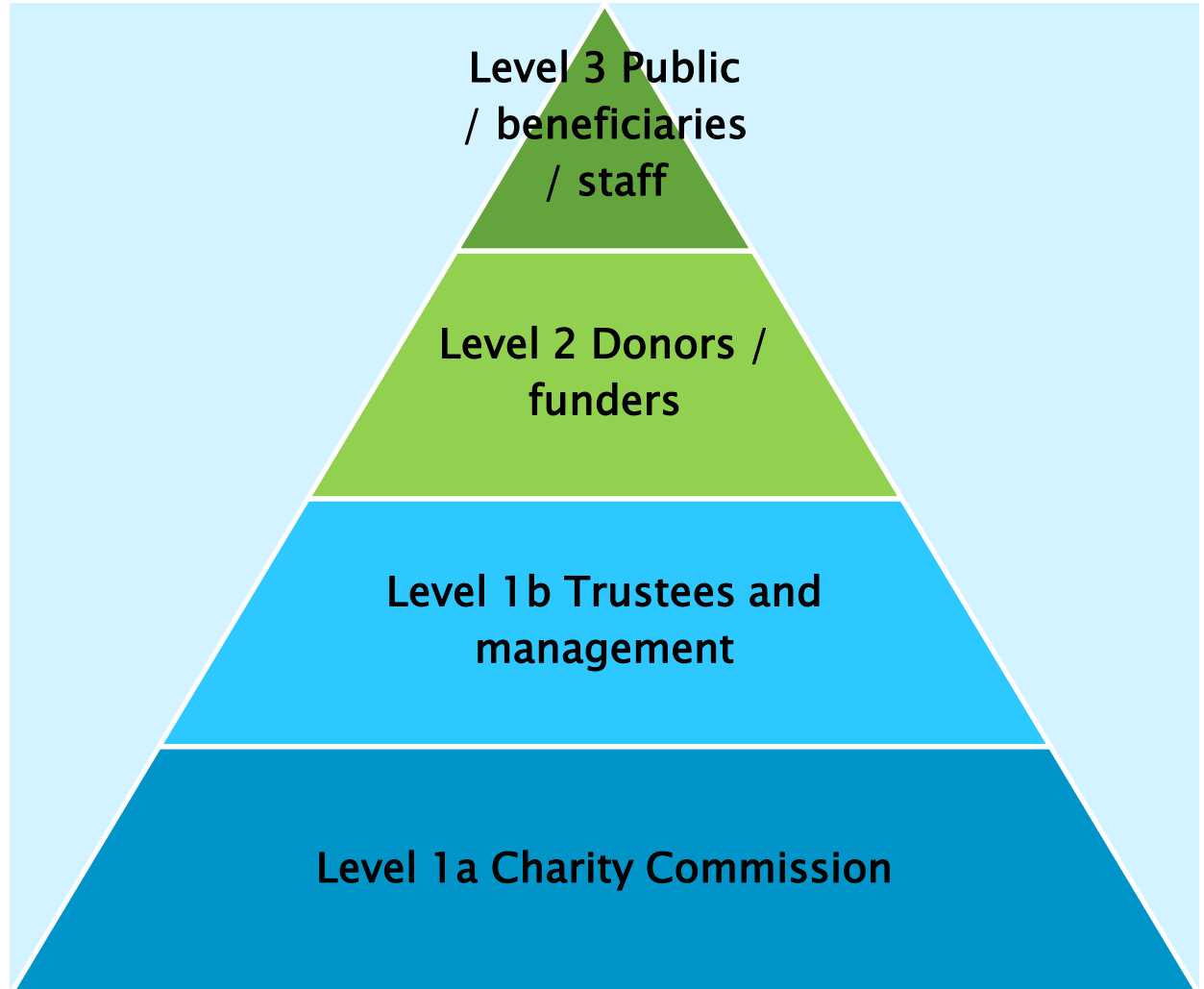
Age UK Report of Trustees and
Annual Accounts 2022/23

Who is reporting for?

Performance/summary focus



Technical/compliance focus





Good practice – Level 1

- Meet all disclosure requirements in accordance with the size of your charity
- Clear objectives
- Strategy to meet each objective
- Activities linking to each objective
- Balanced view – any lessons learnt?
- Clear link to the financial statements



Good practice – Level 2

- To help with grant applications from trusts and foundations
- Everything on level 1
- Key performance indicators – what does good look like?
- Risk assessment – how good is your governance?
- Reserves policy – too high or too low?



Good practice – level 3

- For supporters, beneficiaries and help with public fundraising
- Everything on levels 1 and 2
- Consider additional disclosures – graphics, real stories and other statistics



Good practice – level 4

- Above and beyond
- Your values – how do you demonstrate these in what you do?
- EDI data and plans
- Environment impact, and what are you doing about it?
- Charity Governance Code – how do you measure up?



Company law considerations

- Medium and large – strategic report
- >250 employees:
 - policy for employment of disabled persons
 - employee engagement and interests
- Large companies
 - Directors' duties
 - Relationship with stakeholders
 - Energy and carbon reporting



Charity governance code

- Not statutory requirements but application is ‘strongly recommended’
- ‘Apply or explain’
- Report application in trustees’ report

<https://www.charitygovernancecode.org>



What is good narrative reporting?

- Answers five key questions
 - What is the problem we are trying to address?
 - What do we do to address it?
 - What are we achieving?
 - How do we know what we are achieving?
 - What are we learning, and how can we improve?

Source NPC



What does good reporting look like?

Link to
activities on
SOFA

Visuals for
financial
review

What we said,
what we did

Set clear
objectives for
next year

Use of
questions

Case studies
or stories



Jo's Recipe for the Report

- Reason for being
- Review of the year
- Results
- Reserves
- Risks
- Remuneration policy
- Relationships & related parties
- Raising funds (fundraising approach)
- Reference & admin info



What organisations have said...

- It's a journey
- You need organisation wide ownership
- Integrate into your annual cycle for comms and PR
- Can't stand still
- One size doesn't fit all
- Further developments – embrace social media



Questions to take away ...

1. What is our annual report for?
2. Who is our target audience?
3. What do we want our audience to do?
 - Donate to us?
 - Fund us?
 - Better understand the problem we are addressing and our achievements?
4. Annual accounts and report, annual review, combination?
5. How will readers access the report? (hard copy, web, mob)
6. How do we demonstrate outcomes and impact?
7. Who do we involve?
8. What's our timetable?

Any questions or reflections?





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