



## Accounts Monitoring Review

# Telling your story well: public benefit reporting by charities

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## Summary

Public benefit is at the heart of what charities are about. By reporting on public benefit, trustees identify that their charity is effectively doing what it was set up to do and is making a difference to its beneficiaries. Just under half of a sample of 107 trustees' annual reports that we reviewed demonstrated a clear understanding of the public benefit reporting requirement. Although 90% of the annual reports discussed what the charity was set up to do and its activities during the year, many did not go on to consider what difference they had made to their beneficiaries and/or include the required statement that the trustees had considered our guidance on public benefit reporting. If the purpose of the charity sector is to make a difference to the lives of the beneficiaries it serves, too few charities are reporting fully on how well they are doing.

## About our accounts monitoring reports

Charities' accounts are publicly available on **GOV.UK**. Each year, we monitor a sample to check compliance with the Charities Statement of Recommended Practice (SORP) and to identify issues of regulatory concern. We are publishing a series of reports on our findings, which will help trustees to manage the risks that their charity faces, improve reporting standards and enhance the accountability of charities to their donors, beneficiaries and the public.

## Why are we reviewing the quality of public benefit reporting?

Trustees have a legal responsibility to 'have due regard to' the Commission's guidance on public benefit. All registered charities must publish a trustees' annual report (annual report) and this must set out the charity's activities for the public benefit. Public benefit is at the heart of what charities are about. By reporting on public benefit, trustees identify that their charity is effectively doing what it was set up to do and is making a difference to its beneficiaries.

## How do we assess the quality of public benefit reporting?

We have based our assessments on the principles set out in our guidance 'Public benefit: reporting (PB3)'. In particular, to demonstrate a clear understanding of the public benefit reporting requirement, an annual report must include both:

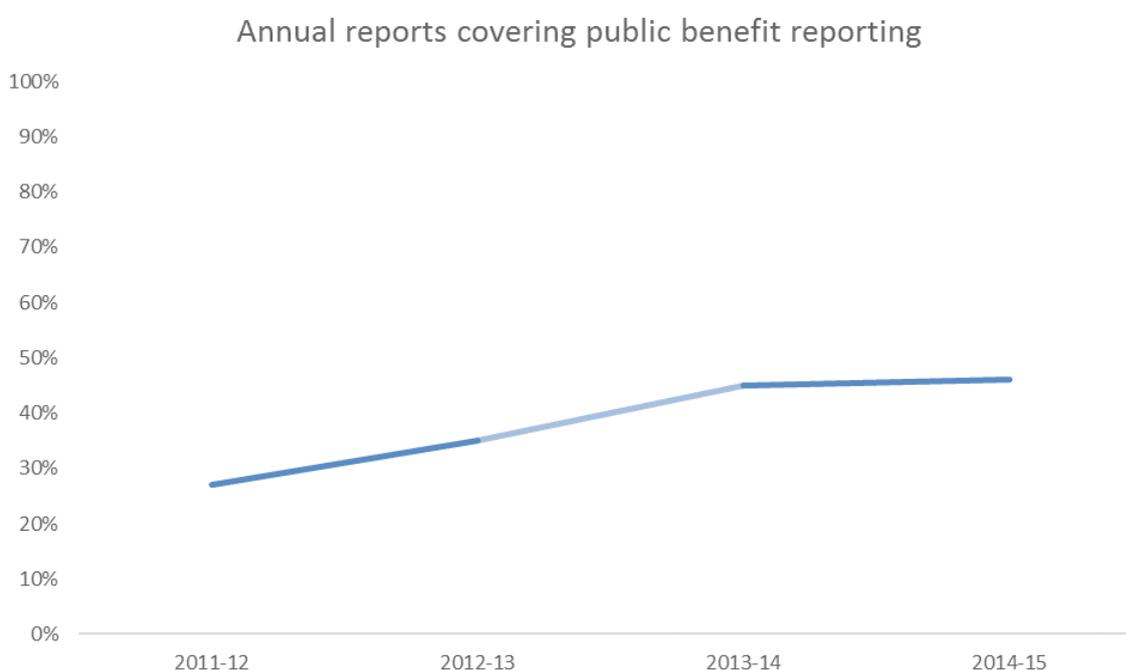
- an explanation of the activities undertaken by the charity to further its purposes for the public benefit (explains who benefits from its activities)

- a statement by the trustees as to whether they have had due regard to the Commission's guidance on public benefit (a public benefit statement)

## How we carried out the review

In September 2016, we selected a random sample of 107 charity annual reports from the register of charities, covering accounting years ending during the 12 months to 31 March 2015. As with all samples, there is a margin of error. Charities with an income less than £25,000 are not required to file their annual reports with us and so are not included in this review.

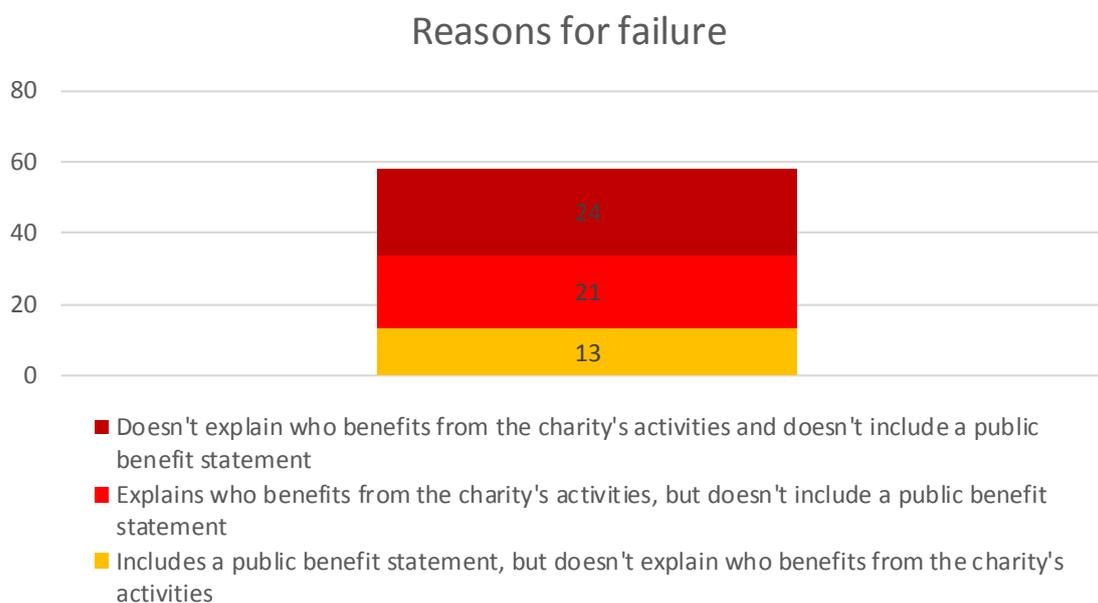
## What did we find?



46% of the annual reports demonstrated a clear understanding of the public benefit reporting requirement. This is similar to last year's 45%.

We found that 90% of the annual reports provided information on both what the charity was set up to achieve and what it had done during the year to carry out its purposes. However, the proportion going on to explain who had benefitted from those activities fell to 65%. The proportion of annual reports that included a public benefit statement was 58%. To set our findings in context, we have included in the appendix an extract from one of the annual reports in our sample, showing how the trustees of one charity met the public benefit reporting requirement in a concise and straightforward way.

The reasons why 54% of our sample (58 charities) did not meet the public benefit reporting requirement can be summarised into the 3 categories illustrated and discussed in the sections that follow.



### **The annual report includes a public benefit statement, but doesn't explain who benefits from the charity's activities**

The inclusion of a public statement in an annual report demonstrates that the trustees are aware of public benefit. However, the inclusion of a 'standard' statement is not in itself sufficient to meet the public benefit reporting requirement. The annual report must also explain the activities undertaken by the charity to further its purposes for the public benefit. Most of the 13 charities in this group provided sufficient information on their purposes and charitable activities. However, the annual reports did not go beyond a description of their charity's activities to consider how their beneficiaries had benefitted from them. In other words, asking themselves the question 'what difference have we made?'

### **The annual report explains who benefits from the charity's activities, but doesn't include a public benefit statement**

The annual reports of these 21 charities did show that the trustees were thinking about the contribution that their charity's activities had made to their beneficiaries. However, none of them included the required statement that the trustees have had due regard to our guidance on public benefit in planning their charity's activities. The absence of this statement suggests that the trustees are unaware of their public benefit reporting and other obligations.

### **The annual report doesn't explain who benefits from the charity's activities and doesn't include a public benefit statement**

The annual reports of the remaining 24 charities did not meet either of the 2 parts of the public benefit reporting requirement and contained the same failings as both of the other 2 groups.

## What action we took

We will provide the charities which did not meet the public benefit reporting requirement with a link to our guidance on public benefit reporting.

Over the last 2 years, we have looked for opportunities to raise awareness of the public benefit reporting requirement amongst trustees. In April 2015, we included an article in CC News citing our guidance on public benefit. CC News is the Commission's quarterly online newsletter, sent to all charity contacts and trustees on our register for whom we have an email address. In August 2015, we reissued our most important piece of guidance: 'The essential trustee (CC3)', updating it to explain much more clearly the trustees' responsibilities for carrying out their charity's purposes for the public benefit. We should also highlight that the new SORPs, which came into effect for accounting periods beginning on or after 1 January 2015, place greater emphasis on public benefit reporting within the annual report. In particular, charities are encouraged to identify the difference that their work has made to the circumstances of their beneficiaries and, if practicable, explain any wider benefits to society as a whole. We hope that the changes to these key sources of guidance will help trustees to meet their responsibility to report on public benefit in their charity's annual report.

## Lessons for other charities

The preparation of an annual report, of which public benefit forms an important part, is a statutory requirement. However, to see it solely in those terms is to miss the opportunity it provides for charities to 'take stock' of how well they are meeting their objectives and the difference that they have made to their intended beneficiaries. A good annual report can also help a charity 'tell their story well' to supporters, potential funders and the public.

Our guidance on public benefit reporting includes a pro-forma annual report that provides a useful structure for preparing a document that meets the public benefit and other reporting requirements. This guidance, including the other documents referred to in this report, can be downloaded from **GOV.UK**.

## Appendix 1: An example of public benefit reporting

This is an extract from the annual report of a charity in our sample. The example is typical of several in our sample and is intended to demonstrate that trustees can meet the public benefit reporting requirement in a concise and straightforward way. The charity's income was £113,953.

### **PCC of Christ Church Upper Armley Trustees' report for the year ended 31 December 2014 (extract)**

#### **Objectives and activities**

##### **The charity's objects**

Promoting in the ecclesiastical parish the whole mission of the Church.

In setting our objectives and planning our activities our trustees have given serious consideration to the Charity Commission's general guidance on public benefit and in particular the advancement of religion through:

- raising awareness and understanding of religious beliefs and practices
- carrying out religious devotional acts
- carrying out missionary and outreach work

##### **The charity's main activities**

The charity is the parochial Church Council of Christ Church, which is responsible for providing Christian worship each Sunday and holy days, including Holy Communion twice a month. The Christian faith is taught in church and in small groups; there are specific groups for under 16s. Outreach to the local community takes place through courses and through networking.

##### **Achievements and performance**

The churches have seen steady increase in numbers attending services over the past year and in particular people from other cultures are being integrated.

There is involvement in children's work in Romania. A number of the congregation have been on teams in the summer months helping to run camps and summer holiday activities.

The church has continued to hold separate teaching groups held for children and teenagers on Sundays. As part of our overall care of the congregation we have had for a number of years an emphasis on the care of both children and adults who are classified as having special needs. We also, as part of our pastoral care have an emphasis on caring for the elderly.

The church also supports financially other charities, which are involved in overseas mission, home mission and social concern projects.

The church is also involved in community mission and missional activities such as the Armley Fun Day. An Alpha course was also run in the Autumn.