



## Research

# Public benefit reporting by charities: analysis of findings

The Charity Commission commissioned Sheffield Hallam University (SHU) to deliver a research project into the public benefit reporting (PBR) requirement. This requirement was introduced in April 2008. The purpose of the project was to assess how well charities are getting to grips with reporting on public benefit in their Trustees' Annual Report (TAR).

The Commission's initial analysis of the research findings is set out below:

### Overall, charity trustees have made good progress with public benefit reporting

SHU assessed 1,400 Trustee Annual Reports from a sample of registered charities for which accounts were available for a financial year since the PBR requirement took effect. They counted up how many TARs included a statement that the trustees had 'had regard' to the Charity Commission's guidance on public benefit (a legal requirement). They also scored the TARs on how successfully they met the PBR requirement overall.

Of charities with incomes over £500K:

- 72% of charities included a statement that they had had regard to the public benefit guidance.
- Only 6% contained no discussion of public benefit; the remaining 94% made at least some mention of public benefit and either partly or fully addressed the reporting requirement.
- 26% were awarded the highest scores of four or five, out of a maximum of five. This meant the TAR fully and clearly met the requirement, with no ambiguity whatsoever.

The Commission is pleased to see that many charities have adapted quickly to the PBR requirement and that they appear to be drawing on the Commission's regulatory guidance in order to provide a full and clear account of their work in the TAR.

### There is room for improvement

Public benefit reporting is still relatively new to many charities, who are still on a learning curve. Unsurprisingly, smaller charities have not addressed the reporting requirement quite as comprehensively as larger charities. The Commission recognises that whilst larger charities have adapted well to the requirement, smaller ones may need additional time and support to comply fully with the reporting regulations.

Helpfully, the SHU report draws out some solid examples of PBR. The Commission hopes that the genuine TAR extracts included in the report will be helpful for other charities. These examples can be used in addition to the Commission's [Example Trustees' Annual Reports and Accounts](#). Trustees are also encouraged to visit the Institute of Chartered Accountants in England and Wales' (ICAEW) [Charities Online Financial Reporting Awards](#), which showcase best practice in annual financial reporting.

## Charities are good at explaining the 'what' and the 'who'

Put simply, public benefit reporting is about explaining:

- **What** a charity's aims are and what it has done to carry them out
- **Who** it seeks to benefit
- **How** people have benefited

According to SHU's findings, one of the charity trustees' strengths has generally been to give a clear account of their charity's aims and an explanation of who benefits from the charity's work. The Commission welcomes this. Focussing on TARs from charities with incomes in excess of £500,000 we can see that:

- 89% had included a clear statement of their charitable aims
- 74% had explicitly identified, and a further 13% had given a 'strong indication' of, who the charity seeks to benefit

## Charities are not so good at describing the 'how'

Given that PBR places a renewed emphasis on explaining who benefits from a charity's activities and how, it is disappointing that charities were not so good at explaining what they actually did to further their aims, and in particular how their beneficiaries benefited from this. For example, of all the TARs assessed from charities with incomes in excess of £500,000, only 36% gave a clear explanation of **how** the intended beneficiaries had benefited from the charity's work.

These research findings serve as a reminder to trustees that it is important not to neglect the 'nuts and bolts' of their charity's work when it comes to describing what goods or services the organisation delivers, and how people benefit from these. This is largely what public benefit reporting is all about.

## Public benefit reporting is generally not difficult or time consuming

A common feeling amongst trustees in the focus groups and interviews was a genuine enthusiasm to articulate how their charity made a positive contribution to the lives of beneficiaries and to the wider community.

To these trustees, the public benefit reporting requirement did not pose any new or unexpected challenges. The Commission is encouraged to learn that PBR is not particularly burdensome. In fact some charity trustees considered the reporting process a valuable exercise, helping them to re-focus on their core aims.

## Charity trustees should take ownership of public benefit reporting

Some trustees involved in the research had not familiarised themselves with the Charity Commission's guidance. Instead they had relied on others, such as a member of staff or an external accountant, to deal with the reporting requirement on their behalf.

Charity trustees face many demands and pressures, of which the public benefit reporting requirement is just one. However, PBR is about explaining why the charity exists, what it aims to achieve and how it works towards those aims. It is therefore crucial that trustees take this requirement seriously.

The Commission will continue to work with partners to raise awareness amongst the wider charitable sector of the reporting requirements and the range of guidance and support already available.

## The Trustees' Annual Report is important

The Commission is concerned that the research has highlighted some confusion about the overall purpose of the TAR, as well as some non-compliance with the regulations. The TAR is not only a statutory requirement but also a unique opportunity to demonstrate full accountability and transparency to supporters and the public.

The TAR is also an opportunity for charities to 'tell their story well'. As most charities will already know, funding bodies in all sectors take great interest in the impact of charities' work. Evidence of this often needs to be provided in application forms and tender bids. A clear, concise annual report will make this job easier for charities and their trustees.