

TRUSTEES' ANNUAL REPORT & ACCOUNTS: HOW IT CAN BOOST FUNDRAISING

The trustees' annual report and accounts (TAR) for a charity is an important part of a funder's due diligence. Drafting can be daunting; here are some tips and examples to help you make this statutory document attractive to funders (includes donors). Give them impact, not impenetrability.

Why the TAR is important

- **Expectation.** A joined-up, concise document that enables the reader to understand how the money was spent and the difference it has made.
- **Audience.** The compliance requirements deliver the information deemed necessary for stakeholders. However, a key purpose beyond compliance is engaging with funders, staff and volunteers; a charity can't deliver without money and people.
- **Funders**, to safeguard their potential investment, want to see specific points including:
 - Clear set of achievable objectives?
 - Do activities match the objectives?
 - Effectiveness of impact?
 - Enough cash to complete planned work?
 - Capability to meet funder's goals?

Don't confuse the TAR with the annual review: a separate and more-readable (shorter and free of 'compliance clutter') publication. Funders will look primarily at the TAR as it is audited/examined - unlike the annual review (which may be targeted at other stakeholders). Therefore **the TAR has good fundraising potential and can be useful rather than being a statutory 'pain'**.

Essentials for the TAR's narrative

- Regulatory demands may seem extensive, but can become quite manageable. They include:
 - All charities: explaining their activities, achievements and delivery of public benefit.
 - Larger charities (annual income above £500k) must go further: especially for achievements against objectives set, impact reporting and quantitative analysis of performance.
- You should read the actual requirements at this [link](#) (paras 1.14 to 1.28 for all charities and paras 1.34 to 1.53 for larger charities)¹.
- Maintaining charitable status requires demonstration of public benefit. The statutory explanation will usually be straightforward where a charity works directly with people: e.g. disability support. Where a charity's role is not directly people-focussed, the public benefit can seem abstract and may be more difficult to articulate; good examples are:
 - As animals cannot receive public benefit, the Dogs' Trust (TAR extract follows) proclaims: *'providing a wonderful friend, in the form of a dog'*.
 - Arts charities should demonstrate artistic merit; the Royal Society of Literature offers: *'the enriching experience of reading great literature from the past and present'*.



GOVERNANCE: Public Benefit

Dogs Trust exists to improve the health and welfare of dogs. We believe that dogs play a vital role in keeping humans physically and mentally happy and healthy, so while it is certainly true that Dogs Trust's charitable activities focus firmly on animal welfare, we believe that we also contribute to the greater public benefit (as defined by the Charities Commission) in the following twelve ways:

- *'Providing a wonderful friend, in the form of a dog. Each year many people write to us to let us know how their Dogs Trust dog is getting along, often mentioning what a great companion their dog has been.'*

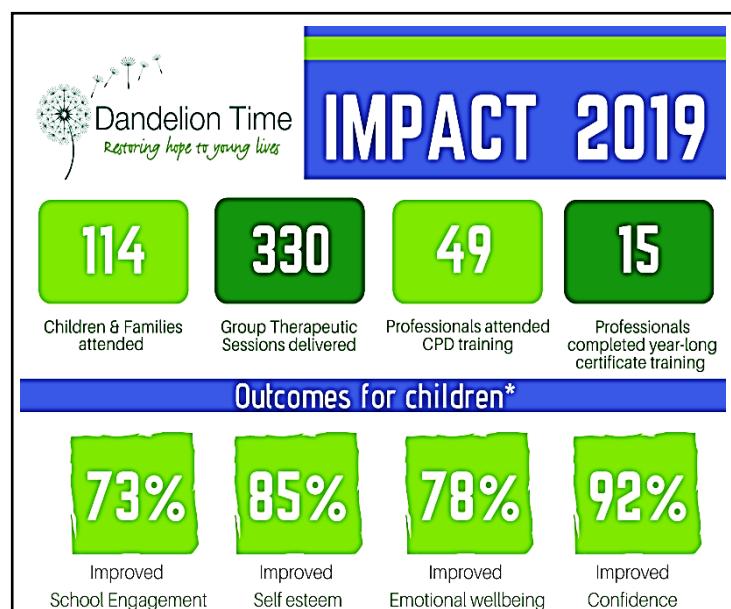
¹ Charities Statement of Recommended Practice (FRS102) - effective 1 January 2019: Module 1 - Trustees' Annual Report.

Tell a candid, focussed and enlightening story

- Humanise the achievements: illustrate with case studies and individuals' stories.
- Stress performance rather than output: what were the objectives/targets for the year and what was delivered? If you did not hit a target, then why? This probably means consideration of key performance indicators: financial and non-financial.
- Be consistent with the accounts: the structure of the accounts needs to harmonise with your narrative to let your impact resonate. A TAR that, say, explains activities by region will be undermined by accounts that give activity results (e.g. adult and child services).
- Give the financial review in lay terms, as the accounts may be obscure to some readers. How have income and costs fared, how healthy are the reserves and what are the financial prospects?
- Balance the story - life is not always good news. Clarity and honesty on achievements and performance will convey transparency - important for public trust.

Impact: a persuasive blend of narrative and numbers.

- Impact generally means the long-term, overall difference made to beneficiaries. It is broader than outcomes, which tend to be measurable.
- Whilst it can be hard to portray, impact is a key point for funders. The narrower a charity's role, the more-focussed the impact analysis can be: e.g. substance misuse recovery versus general grantmaking. A substance misuse charity has plenty of scope for outcome measurement; a grantmaking charity may have difficulty identifying common outcomes.
- Expectations include clarity, checkability and accessibility, but don't drown the reader with unstructured facts. What really counts is convincingly aligning an overview of achievements to your charity's strategy, the key messages you want to convey (see this Girl Guides [example](#)) and the benefits delivered.
- Dandelion Time was a 2019 Small Charity Big Impact award winner for its impact assessment; see this [link](#) (and sub-pages).



Building the TAR

- A good narrative balance is 75% looking back and 25% looking forward. Funders respect stewardship and track record, and want to know what you do well. The future plans section should take account of TAR approval being a few months after the balance sheet date.
- Anticipate comparison with previous TARs; funders will be looking for evolution of themes and refreshed content (rather than substantial repetition).
- If the narrative is primarily structured by activity, a useful approach is: last year we said we would do X, in comparison we achieved Y and, incorporating lessons learnt, we will now do Z.
- Ask your auditor or independent examiner about presentational options for the accounts:
 - Improvements beyond compliance to enhance impact portrayal.
 - Reduced disclosure options for charities with annual income of up to £500k:
 - Simpler cost reporting.
 - Non-company charities with annual income below £250k can opt for the receipts and payments format - reducing the accounts' length from around ten pages to one page.
- Funders will look at aspects such as solvency and cost efficiency. Try to pre-empt any questions likely to arise from the accounts (e.g. significant staff termination payments) through clear explanation in the narrative.

- Think how far you need to go beyond compliance. For example, could a competitor gain useful intelligence?

Pleasing to the eye?

- Style and design are part of creating a good first impression; addition of photos and graphics is quite manageable in-house with today's software. This Charity Comms publication is a good source of ideas.
- As practical guidance and benchmarks, here are links to three recently-filed TARs:
 - [Best Beginnings](#) (2018/9 income £937k): strong design and sound content.
 - [WAM Youth](#) (2018/9 income £92k): the text-only narrative is well-written and funder-friendly. For contrast, look at the matching [annual review](#) (perhaps confusingly called 'annual report') - pleasing and simpler for a wide audience.
 - [Beeston Community Resource](#) (2018/9 income £224k): shows the receipts and payments format; the Notes at the end go beyond compliance.

Getting to the final document

- Production often falls to Finance by default, but this important, joined-up document needs to be led from the front. Senior management should set the message, with trustees' oversight of what is ultimately their document.
- The drafting timetable needs to be worked back from the trustee approval date - usually a few weeks after the audit/independent examination site visit.
- Aim to approve and file the TAR as early as possible and avoid undue delay:
 - Funders will get 'fresher' information and have greater confidence about solvency.
 - If you fail to file within the ten-month deadline, the Charity Commission website will highlight your failure in red for five years.

2020 Pandemic Effect

The pandemic will probably have major repercussions for many charities. At this early stage, comment should emphasise that trustees understand the effect of the pandemic on the charity and outline the implications for plans, risk management and finances. This [link](#) advises funders what to look for in pandemic-related applications; information relevant to some of these points can be covered in the TAR.



The TAR should be seen as an opportunity rather than a compliance burden. Showcase your charity and inspire funders to get involved.

Frank Learner



Frank Learner retired in 2019 after 14 years of running his own business as a charity consultant and independent examiner of charity accounts – preceded by a full career as an RAF officer. He holds the ICAEW's Diploma in Charity Accounting. His business experience was complemented by being Trustee Treasurer at the Community Foundation in Wales (a grantmaking charity) for 8 years and then Newlink Wales (a substance misuse recovery charity) for 5 years. He is now a volunteer management consultant for the Cranfield Trust and a volunteer internal auditor for the Cardiff & Vale Credit Union.