



# The trustees' report - Making a virtue out of a necessity – keeping on the right side of charity law

---

Amanda Francis

30 April 2015

---

## Areas to be covered

---

- ⦿ **Why every charity should devote time to its trustees' report**
- ⦿ **Charitable Incorporated Organisations (CIOs) – should you take the plunge and incorporate?**
- ⦿ **The regulator gets teeth**
- ⦿ **Finally - a few timely reminders**

---

# The trustees' report

---

## A good trustees' report:

- ⦿ Gives context to the financial statements to prevent the figures being interpreted incorrectly
- ⦿ Demonstrates resources are being used wisely and for the stated purpose
- ⦿ Satisfies the public benefit reporting requirement
- ⦿ Shows the charity is being organised and managed properly
- ⦿ Demonstrates the charity is carrying out its activities efficiently and effectively
- ⦿ Attracts new resources to enable the charity to continue its activities

**Buzzacott**

CHARTERED ACCOUNTANTS

---

# The trustees' report: Getting the balance right

---

- ⦿ Increased emphasis on the importance of the trustees' report being **fair and balanced**: communication to **all stakeholders** on the stewardship of funds rather than simply a compliance document
- ⦿ Information needs to be relevant
- ⦿ A need to include both **positive and negative** factors which have affected the achievement of the charity's objectives.
- ⦿ A need to link the activities and achievements to the sources of income and the expenditure incurred

---

# Contents of a trustees' report

---

⦿ **A number of key areas to be covered:**

- Objectives and **activities**
- **Achievements and performance**
- Financial review
- Structure, governance and management
- Reference and administrative details

**with emphasis on explaining the activities, achievements and learning of the charity and its public benefit**

⦿ **Encouraging creativity**

---

# Objectives and activities

---

**A greater degree of accountability and stewardship is expected**

## Objectives and activities:

- ⦿ Short term and longer term aims and objectives
- ⦿ Aims and strategies for achieving them
- ⦿ An explanation of the criteria for measuring success
- ⦿ Significant activities
- ⦿ Staffing and resources
- ⦿ Social investment
- ⦿ Volunteers
- ⦿ Grant making

---

# Objectives and activities

---

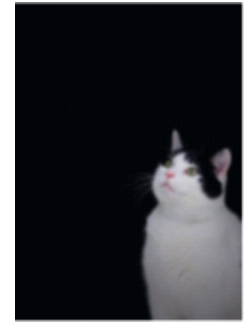
**Our vision is a world where every cat is treated with kindness and an understanding of its needs**

It is an ambitious vision, however we truly believe it is achievable through the passion and commitment of Cats Protection's volunteers, supporters and staff and it underpins all that we do. For all of our goals the cat is the centre of our focus, and we will continue to help cats by **developing and growing** in each of our three objectives:

Homing – finding good homes for cats in need

Neutering – supporting and encouraging the neutering of cats

Education – improving people's understanding of cats and their care through education, information and advice



*Extract from the  
annual report of  
Cats Protection*

**Buzzacott**

CHARTERED ACCOUNTANTS

---

# Objectives and activities

---

## About ODI

### Who we are

We are an independent think tank with more than 170 staff, including researchers, communicators and specialist support staff. To find out more, visit our staff directory:

[www.odi.org.uk/ar12-staff](http://www.odi.org.uk/ar12-staff)



### Our services

With a reputation for high-quality research and policy advice, ODI is in demand by governments, international institutions and other partners around the globe. In addition, ODI offers consultancy services that include monitoring and evaluation, mentoring, and tailored training courses, as well as expertise in communications and knowledge management.





---

# Reporting achievements and public benefit (i.e. impact)

---

- ⊙ Explanation of those objectives and activities undertaken to further the charity's purposes for the public benefit i.e. what the charity has done (**its outputs**) and what it has achieved (**its outcomes**)
- ⊙ Acknowledgement that trustees have had regard to the Charity Commission's guidance on public benefit
- ⊙ Reflecting on public benefit in respect to achievements and performance:
  - Case studies
  - Statistics
  - Quotes and photographs
  - Consistency with the analysis provided in the accounts

**Think about: What difference has the charity's work made to its beneficiaries and society as a whole? *External NOT internal***

---

# Reporting achievements and public benefit (i.e. impact)

---

- ⊙ **Review of achievements against objectives in a balanced way and explaining benefit to the public – tell your story!**
  - Qualitative and quantitative
  - Indicators, milestones and benchmarks against which achievement of objectives are assessed
- ⊙ **Use case studies, quotes, photographs, etc. Be creative!**
- ⊙ **Fundraising activities:**
  - Performance v objectives
  - Expenditure for future income generation, effect on current fundraising return & future income
- ⊙ **Investment policy and performance**
- ⊙ **Don't be afraid to talk about what has not gone so well, explaining why and what you are doing about it**

---

# Achievements and public benefit reporting

---

## Jenny's Story

“Jenny” came to The Beeches in Manchester after being forced to leave her family when relationships broke down. Her parents had both remarried and she was unable to cope with aggressive behaviour towards her from family members. She wasn't in education and had little idea of what she wanted to do with her life.

At just 16 years old, Jenny was a vulnerable and easily led young woman. The staff at The Beeches provided the support she needed when she felt at her lowest, encouraging her to take on new responsibilities by helping her to choose a college, preparing her for living in her own accommodation, and developing practical skills such as cooking, cleaning and budgeting. She also looked at future employment, and was able to talk about her family relationships and discover how she could safely renew contact with them.

After choosing to take a performing arts course at Stockport College, she became involved in promoting HIV awareness. She also excelled at sporting activities and took part in a 10k Urban Run. She was able to forge a better relationship with her family and went on holiday with them. Now, she is planning to move to the Netherlands, after being offered a fantastic three-year work opportunity promoting HIV awareness through performing arts. **In less than two years, she has transformed from a distressed teenager into a passionate young woman with a bright future.**

# Achievements and public benefit reporting

## ***SOUTH SUDAN***

***Children's Ward, Comboni Hospital, Nzara  
£39,640, equipment and work experience***

The Sisters run a hospital in Nzara which is a vital resource for the people of the town, many of whom are returnees, as well as refugees and IDPs fleeing the violence in the east of the country. This year the Sisters appealed to us to help make up the shortfall in funding caused by the decline in the hospital's traditional, Italian, sources of funding, reduced greatly on account of the particularly bad economic situation in Italy. We funded the purchase of drugs, especially anti-malaria drugs. We also funded a malaria education programme, undertaken for families both at the hospital and in the community. We also contributed towards the salaries of the local staff.

There is a chronic shortage of qualified nurses in South Sudan and we paid the expenses of five work experience students, the best of whom will go on to nurse training



A mother with her child in the children's ward. Malaria is the disease which still kills more children in Africa than any other disease.

# Buzzacott

CHARTERED ACCOUNTANTS

***Extract from International Refugee Trust 2013/14***

# Achievements and public benefit reporting

## St Paul's Lodge

St Paul's Lodge was approached by a church in Norwich offering volunteers who were willing to help young mothers in whatever way they could. This stemmed from a foster carer of one of our young mothers. A 'house meeting' was arranged and the church volunteers met with the young mothers.

The young mothers decided they wanted their garden 'revamped' and after a series of meetings with the volunteer group a plan was drawn up for an exciting new garden. The project manager was so impressed by their enthusiasm and commitment she said:

*'It's the first time I have seen them so motivated'*

A quote from one of the resident's was:

*'This is OUR Home. This is a fantastic opportunity as a young woman at St Paul's Lodge, to give something back to future women and their children who will see this as their home in the future. We have been truly motivated by this whole project and understand that this will be a great opportunity for us as individuals to learn practical skills. For us as current residents to build together as a team to create a safe haven that each of us want and need.'*



**Extract from the  
trustees' report of  
Girls Friendly  
Society**

# Buzzacott

CHARTERED ACCOUNTANTS

# Achievements and public benefit reporting

---

## Hospitality and pastoral care

Throughout the year sisters continued to carry out these ministries with the ‘behind the scenes’ support of the whole community.

## Retreat weekends

The retreat programme continues to interest; of particular popularity are those events which focus on our Benedictine spirituality and those concerned with deepening inter-faith relations. Retreatants comment:

*“I brought so much away with me [from the retreat] that I shall be fed for a very long time and it has given me much to reflect on”.*

*“I just wanted to thank you again for a very special weekend. It was so good to return to Turvey Abbey in any case, and I realise that ever since my previous visit it has continued to somehow hold me in its beam – a bit like a lighthouse does to a sailor...”*

*“I have really valued the space and time for reflection”.*  
*“It was refreshing to be with you all in such a prayerful atmosphere.....thank you for your life of prayer and praise.”*



*Extract from the trustees’ report of  
Olivetan Benedictine Sisters Turvey  
Abbey Charitable Trust*

**Buzzacott**

CHARTERED ACCOUNTANTS

---

# Financial review

---

- ⊙ Significant events affecting financial performance
- ⊙ **Specific link to achievements and performance**
- ⊙ Principal or key funding sources
- ⊙ Pensions liability (or asset)
- ⊙ **Investment policy – including ethical and social considerations**
- ⊙ **A detailed review of reserves**
- ⊙ **Uncertainties over going concern**

---

# Reserves

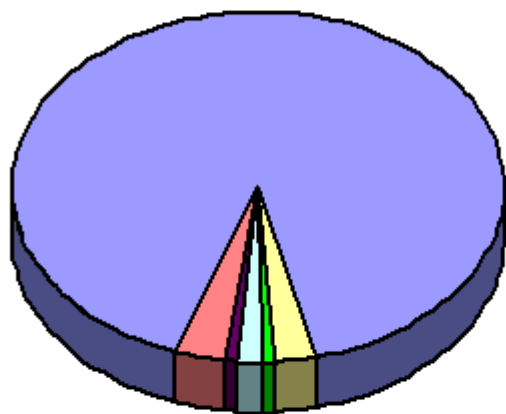
---

- ⦿ Total funds at end of accounting period
- ⦿ Identification of restricted funds
- ⦿ Identification and **explanation** of designated funds
- ⦿ **Likely timing of expenditure of designated funds**
- ⦿ **Fixed asset or performance related investment funds**
- ⦿ Statement of reserves held at end of accounting period
- ⦿ **Comparison of reserves held with the reserves policy and an explanation of actions required to bring the level of reserves into line with that policy**



# Financial review

## Where we got our money from



- Department of Health  
90%
- Welsh Assembly  
Government 3%
- Scottish Executive 1%
- DHSSPS Northern  
Ireland 2%
- Other grants 1%
- Other income 3%

*Extract from the annual report for Social Care  
Institute for Excellence*

---

# Charitable Incorporated Organisations (CIOs) – should you take the plunge and incorporate?

---

- ⦿ Today many charities are still constituted as unincorporated charitable trusts
- ⦿ This position dates back to the 1960's and the Charities Act 1960
- ⦿ The world has changed a lot in the past 50 years
- ⦿ There is a need to evolve and, going forward, the structure of the charitable trust may not be the most appropriate form

---

# Charitable trusts

---

- ⊙ **Regulated by a trust deed**
- ⊙ **Registered with the Charity Commission**
- ⊙ **A trust has no legal personality of its own in law – it is not a juridic person. Hence the assets of the trust (including property and investments) are held in the name of the individual trustees not the trust**
- ⊙ **Trustees need to be appointed by Deed and their resignation is formalised by a deed similarly**
- ⊙ **Operating a trust has two key potential problems**
  - Demonstrating title to assets
  - Insufficient protection from liability under contract law for individual trustees

---

# Incorporation

---

- ⦿ Incorporation under Part 12 of the Charities Act 2011
- ⦿ A corporate trustee
- ⦿ A charitable company
- ⦿ **An Incorporated Charitable Organisation**

---

# Charitable Incorporated Organisations

---

- ⊙ **An entirely new charitable entity designed specifically for charities**
- ⊙ **CIOs have all the advantages of charitable companies but only one regulator – the Charity Commission**
- ⊙ **Advantages include:**
  - One regulator
  - The structure is very similar to charitable trusts and will not involve significant change
  - No need to become familiar with the peculiar and often unintended consequences of company law
  - Often seen by banks as a “conversion” rather than a new legal entity and hence existing bank accounts are allowed to transfer also

---

# Charitable Incorporated Organisations

---

## Disadvantages include:

- ⦿ **No formal register of charges which could be a problem (albeit very rare) when the charity wishes to borrow money from say a bank**
- ⦿ **Third parties are not so familiar with the concept of a CIO**
- ⦿ **No existing case law affecting CIOs and hence there may be an argument for allowing time for this to develop before converting to a CIO**

---

# Charitable Incorporated Organisations

---

## ⦿ **Incorporate the CIO**

- Prepare the Constitution
- Register with the Charity Commission

## ⦿ **Transfer assets and liabilities to the CIO**

- Transfer Agreement – to new CIO
- Properties need to be registered in new name
- Transfer investments and contracts to new name
- New bank accounts

## ⦿ **Dissolve the existing charity**

---

# The Charity Commission – likely changes

---

- ⊙ **Changes in governance**
- ⊙ **Clearer strategy and strengthening of powers**
  - New consultation until 12 February 2014
  - Extending range of criminal offences for automatic disqualification as a trustee
  - Discretionary power to disqualify
  - Power to close down a charity
  - Power to issue statutory warnings
- ⊙ **Tougher and more effective regulator**
- ⊙ **Closer working with HMRC and other regulators**



---

# Finally – a few timely reminders

---

## ⦿ **Policies:**

- Risk management
- Conflicts of interest
- Reserves

## ⦿ **Internal controls**

- Electronic banking – internet v online
- Changes to suppliers' details
- Firewalls and virus protection