

‘The charity annual report: Not just a set of accounts!’

There are a number of key questions to address in planning a charity annual report,:

- What purpose does it serve?
- Who is it aimed at?
- How many versions does one need?
- Why go to all the trouble and expense?

These are the kinds of quandaries facing charities. Many organisations in fact have little clear idea of what external reporting they are required to do, and indeed how to go about the process.

Each registered charity is in fact obliged to produce an annual report. This is defined by the Charity Commission as “a concise but comprehensive review of the activities of the charity prepared by the trustees for each accounting year”.

The key requirements for an annual report are set out in *The Charities (Accounts and Reports) Regulations 2000 (SI 2000 No. 2868)* and the *Statement of Recommended Practice - Accounting and Reporting by Charities*. These are summarised in the box below.

What the annual report needs to contain

Requirements for all charities (in summary)

- The financial year to which the report relates.
- A brief summary of the main activities and achievements during the year.
- The official name of the charity and any other names it uses.
- The charity number and (if applicable) company number.
- The principal address of the charity.
- Details of the charity’s rules (e.g. form, model and date of adoption).
- A description of the charity’s objects.
- Any restrictions set out in the rules on the way the charity can operate.
- Names and addresses of bankers, solicitors, and auditor.
- Details of how new trustees are appointed.
- Names of those who have served as trustees during the year.
- The charity’s policies for determining the level of income reserves it needs, for selecting investments, and for determining who will receive grants from its assets.

- Details of how investments are authorised.
- Details of relationships between the charity and other bodies with which it co-operates to pursue its aims.

Additional requirements for charities with a gross annual income over £250,000
(in summary)

- Instead of the brief summary of achievements and activities (as mentioned above) there should be a review of all activities, including:
 - Material transactions, significant developments and achievements;
 - Any significant changes in activities during the year;
 - Any important events affecting those activities since the end of the year and any and important likely future developments;
 - Where any fund was in deficit at the beginning of the year, the steps taken to eliminate that deficit.
- Details of investment performance;
- Description of the organisational structure;
- Description of any assets held by the charity or any trustee on behalf of another charity.

N.B. For full details, the Regulations should be consulted.

So at minimum, a charity will have to produce such a document to satisfy statutory requirements. But for many, the more interesting question is whether they should consider doing something alongside and perhaps in addition to the statutory requirements. In short, is there a case for an additional 'annual review' publication? After all, much of what appears in the statutory annual report will be relevant for more general publicity, albeit not necessarily in a similar form. If one is collating the material for a formal publication, does it not make sense also to use that process to collate material for a wider set of audiences? And indeed, a large number of charities recognise their annual report/annual review as being a key element of their overall marketing and public relations activity.

Each organisation is of course different, and will have a range of priorities and messages to convey, as well as a range of target audiences to reach with those messages.

These questions will be best addressed in the context of the organisation's overall communications strategy. Flowing from the charity's mission and its business plan and/or corporate plan, this strategy should aim to define clearly:

- The messages to convey;
- The objectives to achieve from the process;
- The target audiences to reach;
- The means to reach them; and
- The implementation plan and programme to deliver this.

See the box below for the potential scope of a comprehensive communications strategy.

Communications Strategy Scope

The strategy should cover the following areas:

- Corporate image
- Visual identity
- Corporate ambassadors
- Target audiences
- Publications portfolio
- Communications toolkit
- Internal communications
- Events and hospitality programme
- Contact with the media
- Resources – in-house and external
- Programme of action
- Monitoring and review

In the course of translating these principles into practice, the organisation will identify a number of groups to whom it wishes to provide information of an 'annual review' nature. These are likely to include both internal and external audiences:

- Members;
- Non-executive Board or management committee;
- Staff;
- Service users;
- Volunteers;
- Partner organisations;
- Service commissioners;
- Funders;
- Professional advisers;
- Contractors; and
- Casual observers and others potentially interested.

Some of these audiences will be interested in the formal annual report contents described above. A number of these groups, though, will not need or wish to see much of the formal information. For such audiences, it will be more appropriate to provide something lighter that engages in a more informal way, and focuses more strongly on the organisation's ethos and culture, the nature of its services, the needs of its client groups, and the work of its staff.

To return then to the key question: should the charity opt for a 'one size fits all' approach, with a single generic publication that seeks to address all the audiences and tick all the boxes, or should it provide more than one medium or form of report?

If an organisation opts for the former approach, the danger must be that in ensuring that the combined document meets its statutory requirements, it has the effect of alienating the desired readership of the non-statutory elements. This latter readership is likely to be less interested in the detailed facts and figures, and will probably be more engaged in

the 'people' elements. Present them with a fat volume replete with detailed statistics and page after page of close type, and there is every chance that the document will fail the '5 second test'.

This is the anecdotal principle that a document has perhaps 5 seconds to grab the attention of a potential reader before being dispatched to the recycling bin. The publication's ability to attract that attention will depend on (a) how visually attractive and clear it looks, (b) whether it appears useful and/or interesting, and (c) whether it looks like 'hard work' to engage with the document.

It will be clear, then, that in most cases, the argument is for the statutory annual report and the PR-based 'annual review' to be separate documents. There will be a degree of overlap in the content, but the presentation and relative levels of detail will be different.

A separate annual review document should contain some or all of:

- Synopsis of major events and developments over the past year;
- Significant plans and forthcoming developments, including assessment of wider trends and the effects of new legislation and government policy;
- Outline description of the organisation's services, including summary facts and figures;
- Summary service performance information;
- Summary financial information;
- Details of non-executive Board or Management Committee members;
- List of staff, or at least executive and heads of service;
- List of key external partner organisations.

Running two separate publications by definition increases the charity's costs, which many may feel ill able to afford. It is important to recognise, however, that the annual review in particular should be aimed in part at helping the organisation cement existing relationships, make new partnerships, and engage with new potential sources of income.

In the interests of economy, the statutory annual report may reasonably be presented in a relatively simple format, e.g. plain paper, monochrome, no pictures, and simply with the outside cover featuring use of colour, heavier grade of paper, and designs and/or pictures.

The separate annual review document, which is likely to be seen as the charity's flagship public relations and marketing tool, should be professionally designed, with strong use of colour, photographs and visual images, focusing as much as possible on people as subjects. It should not contain too many pages, and 20 or 24 will be a reasonable maximum. The amount of words should be minimised, and should provide just enough information to cover the details and information listed above. The point of this is that the document should be designed to attract the casual reader, while providing enough information to satisfy their needs, as well as those of others who want to find out about the organisation, but do not need the detail of the statutory annual report.

The way in which people approach annual reports has changed in recent years, with the rise of the internet as a primary (or indeed the primary) research tool. If one wants to find out about an organisation, the immediate means adopted by a large and increasing number of people is to 'Google' it and/or go to its website. It is critical that the

organisation has a clear, attractive and easy to negotiate website. And it is critical that the statutory annual report and the non-statutory annual review should be available and clearly signposted for downloading from the site.

This in turn will mean that the charity should review its mailing lists to minimise the costs of distribution, and reduce the circulation of hard copy annual reports and annual reviews to what it really needs.

In an ideal world, one might wish to make explore making the annual review in particular available in different formats to make it accessible to a wider range of audiences. These might include Braille and large print editions, as well as different languages. In practice, however, the costs of this may prove prohibitive, though preparation of an audiotaped version on demand should reasonably be achievable.

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