

# ACE VALUE

FINANCIAL HELP FOR THE VOLUNTARY SECTOR

Issue 15

Spring 2011

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## In this edition ...

In our last newsletter, we looked at the importance of monitoring and evaluating your work, how funders want to know that their money is making a difference in the world and explained how to set up simple and effective monitoring and evaluation schemes. We return to that theme in this newsletter with *Blowing your own trumpet: is your Trustees' Annual Report doing a good enough job?* This time we are concentrating on effective reporting of all

the good work you do and how to demonstrate the differences you are making to the lives of your beneficiaries. In an increasingly difficult fundraising environment, charities able to evidence the success of their work stand a much better chance of attracting funding than those who can't.

The tough economic climate has also prompted an article on collaborative working and mergers with other organisations. We look at

the pros and cons of both arrangements in *When not to go it alone: is collaborative working or a merger right for your organisation?*

We've discussed fraud and the need for charities to take steps to protect themselves before and we make no apology for returning to this subject again. The National Fraud Authority estimates that charities may lose up to £1.3bn a year to fraud. Read the Charity Commission's top tips to avoid your organisation falling victim.

## Blowing your own trumpet: is your Trustees' Annual Report doing a good enough job?

If you've ever attended ACE's *Roles & Responsibilities of Trustees and the Trustees' Annual Report* course, you'll know how much we stress the importance of writing a good Trustees' Annual Report which forms part of your annual accounts. We think it's the best (and cheapest) marketing tool you can have because every funder, without exception, will ask to see a set of your accounts. It's the perfect opportunity to showcase your activities and achievements and explain what difference your work is making in the world. When surveyed, donors consistently say that the two

most important factors in trusting charities are how the money is spent and what it achieves. So how good are you at doing precisely that? The think-tank New Philanthropy Capital (NPC) analysed the annual reports, annual reviews, impact reports and websites of a number of UK charities. They found that charities in general are missing an opportunity to communicate to potential supporters what they need and want to know. NPC found that while:

- 90% of the charities they analysed were good at describing what they did;
- only 41% communicated clearly what changes they

achieved in peoples' lives (their outcomes);

- only 43% of charities showed how their achievements were related to their plans and mission;
- only 65% actually talked about the problem and needs their charity was addressing.

If yours is a small charity then take heart because NPC found that "...larger charities were no better than smaller charities when it came to reporting on impact".



"Charities are good at talking about their missions, and about what they actually do. They're less good at talking about their results. Only 41% of those we surveyed communicated effectively what they achieve, linking their activities to the outcomes they create and backing up these outcomes with evidence."

Tris Lumley  
Head of  
Strategy,  
New  
Philanthropy  
Capital

**ACE**

## Blowing your own trumpet: is your Trustees' Annual Report doing a good enough job? (continued)

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Effective communication of impact is about survival

Preparing the Trustees' Annual Report is often seen as a time-consuming chore - after all, it, along with the accounts are purely regulatory documents that will be filed away to gather dust, right? The truth is that communicating impact (jargon-speak for explaining the difference your work makes in peoples' lives) will become an increasingly important aspect of charities' work in future. Donors increasingly want to know their donation is making a difference. Government funding is shrinking and increasingly competitive based on evidence of results. Trusts and Foundations seek outcomes in their application processes. Charities that cannot clearly, simply and effectively explain what they are accomplishing are going to find it well-nigh impossible to survive in this competitive new world.

### A simple formula to explain the impact of your work

There are a number of key questions that your reporting on impact should answer:

- **What is the problem we are trying to address?**
  - Discuss the need or problem that your charity is looking to address and quantify the scale of the problem and the demand for its services.
- **What do we do to address it?**
  - Include a clear, stated purpose that addresses what changes will be brought about by the charity's activities.
  - Give a coherent overview and breakdown of activities that paint an overall picture of your charity, informing potential donors and beneficiaries of exactly what your charity does and how many people these activities work with.
- **What are we achieving?**
  - Provide a clear description of the charity's outputs and outcomes for the year.
  - Connect your charity's activities and services to outcomes and describe its impact in relation to the problems it aims to address and the people the charity helps.
- **How do we know what we are achieving?**
  - Show that you recognise the importance of evaluation, assessing and determining impact and explain clearly your approach to measurement and outcomes.
  - Use appropriate evidence to support these requirements.
- **What are we learning and how can we improve?**
  - Explain how the current year's achievements compare to what was planned for the year, disclosing the targets and indicators your charity uses to measure its success.
  - Include any references to problems your charity has experienced during the year, as this reveals your organisation is willing to identify challenges and formulate a strategy for confronting them.
  - Where possible, relate your achievements over the year to your overall strategic objectives and progress towards your eventual goals.

In the following paragraphs, we take a closer look at each of these key questions and give examples of real-life charities who have addressed them particularly well.

### What is the problem you are trying to address?

For any reader of a charity's reports, it is important for its work to be set in the context of the problem it is trying to tackle. This means telling the reader what the problem is, who it affects, how many it affects and the impact it has on those affected. The charity Diabetes UK gives a very good example of how to communicate the problem it tackles in its annual report:

Diabetes is one of the biggest health challenges facing the UK today. More than 2.6 million people in the country are living with diabetes - and with an estimated 400 new diagnoses made every day, it is projected that this number will rise to four million by 2025. Those who live with the condition may face an immense range of complications - including cardiovascular disease, strokes, blindness, kidney disease and amputations - though many of them are preventable. It costs the NHS nearly £10bn a year - approximately 10% of its total budget - to treat diabetes and its related medical conditions.

Later in its report, Diabetes UK told readers that 44% of the total number diagnosed with diabetes had received information from the charity. While this does not tell readers what impact receiving such information had on those suffering with diabetes, it does give a sense of what proportion of the problem the charity is able to address.

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## Blowing your own trumpet: is your Trustees' Annual Report doing a good enough job? (continued)

### ◀ Page 2

When writing about the problem your charity is trying to address:

- don't assume the reader already knows and understands a lot about the problem;
- do try and explain what proportion of the problem your charity can address.

#### What do you do to address it?

Once you have described the problem you are tackling, you need to clearly explain exactly what you do to improve peoples' lives. It is good practice to:

- breakdown activities into main categories;
- include a clear breakdown of activities and spending on them; and
- show the number of beneficiaries for each activity.

An example of good practice is the 2009 annual report and accounts of Guide Dogs:

Providing the guide dog service is at the centre of what we do; it is one of our main services to blind and partially sighted people to give them independence and mobility. In 2009:

- We organised over 11,300 home visits to clients
- We trained 762 people with a guide dog
- We welcomed over 250 new guide dog owners

#### What are you achieving?

Your charity's results – the difference your work makes in the world – should be at the heart of your reporting. This should start with talking about what is produced or delivered (outputs) and go on to describe what is actually achieved for the beneficiaries (outcomes and impact).

An example of good practice in explaining how what you do results in improved lives for your beneficiaries is given in the 2008 social impact report of the WRVS:

Our first social impact report shows that the WRVS is achieving its goal: to help older people get more out of life by providing practical support through the power of volunteering.

WRVS has made life a lot better for 70% of the 520 people interviewed who used our services. This figure rises to 90% if we include those who say their life is slightly better as a result of WRVS.

Our impact on peoples' lives is driven by emotional/well-being benefits in the form of reduced social isolation, increased confidence, greater independence and, in some cases, feeling healthier.

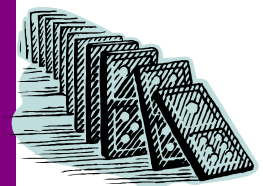
- 73% of the people we support feel less isolated
- 63% feel more confident
- 57% feel more independent
- 46% feel healthier thanks to the services we provide

Successful communication of outcomes is often down to whether the charity can answer the 'so what?' question. For example, if a charity runs a drop-in centre offering emotional and practical support for young, single parents, so what? Who does this benefit and how? What would happen to these young parents and their children without the centre?

#### How do you know what you are achieving?

It's good practice to explain your approach to measuring your impact. Remember that while individual case histories are vital in illustrating charities' work at a human level, they are insufficient for communicating impact. Try and ensure you use "no numbers without stories; no stories without numbers". In other words, charities need to report either the effects of their work on a representative sample of beneficiaries or else report the effects for everyone they work with. Case studies on their own are like 'thank you' letters – it is always good to see how much one person has benefited from a charity's work, but much better to show how the charity's beneficiaries as a whole have been helped.

Some help with the jargon:  
**Outputs:** your organisation's activities showing how much work has been done.  
**Outcomes:** the changes or benefits that have happened as a result of these activities.  
**Impact:** the broader or longer-term effects of these outcomes.



To find out when our next "Roles & Responsibilities of Trustees and the Trustees' Annual Report" training course is together with our other training course dates, please see page 7.

## Blowing your own trumpet: is your Trustees' Annual Report doing a good enough job? (continued)

◀ Page 3

### What are you learning and how can you improve?

Clarity about goals and achievements is important for all charities so they can learn and improve their work. It's important, therefore, to communicate what you learn about your work and how you intend to improve to meet long-term goals. A good example of this is a 2008 performance report issued by Jamie Olivier's social enterprise 'Fifteen' – the apprenticeship scheme which trains young people from deprived backgrounds to work as chefs. In the report:

Fifteen acknowledged that some students did not receive enough personal support to graduate and others were recruited on social eligibility, rather than any real desire to be a chef - they therefore lacked the sticking power to succeed. As former director Liam Black wrote at the time "This is not a typical annual report or PR document, it is a warts-and-all look into the guts of Fifteen, celebrating what's great about the place but acknowledging too when and how we have missed the mark."

The key point is that 'Fifteen' learned from these experiences and addressed the underlying issues.

### Conclusions

If your charity does not clearly communicate its impact, it runs the risk of falling short in this increasingly competitive world. You will not attract the donors, commissioners or trusts and foundations that may be critical to your future fortunes. You also risk losing the public's trust as other charities become more transparent.

You can, however, quickly improve how you demonstrate your impact by answering the five key questions discussed here and making the most of the data you have available.

*The source of this article is New Philanthropy Capital's report "Talking about results", available from its website [www.philanthropycapital.org](http://www.philanthropycapital.org)*

## When not to go it alone: is collaborative working or a merger right for your organisation?

In today's very difficult economic climate with its funding problems and cost-cutting exercises, it's easy to forget that the ultimate aim of any charity must be to provide the best possible services to its beneficiaries. One way of achieving this is by working with others. In today's world, exploring opportunities for collaborative working and mergers is part and parcel of trusteeship. In this article, we take a look at the different sorts of arrangements that can exist between organisations.

### Collaborative working

This describes joint working by two or more charities in order to fulfil their purposes while remaining separate organisations. The term can cover a wide range of activities from the informal sharing of information to creating more formal partnerships between organisations covering such

matters as sharing premises and accommodation or the pooling of resources to secure staff or services, such as fundraising support, that none could afford on their own.

### What key points should trustees consider?

Trustees must act prudently in the interests of their charity. In practice this means that the benefits of collaborative working should be clear at the outset. These are likely to be:

- the same or better service delivered for a lower cost;
- improvements to the quality of service;
- the ability to reach a more diverse group of beneficiaries thus improving access to the services the charity provides.

### What factors are likely to result in a successful collaboration?

- arrangements valuing each

party's independence;

- compatible activities and organisational structures;
- a clear definition of, and accounting for, what each of the relevant charities is responsible and liable for;
- agreements which are proportionate to the relative risks and complexity of the collaboration; and
- a termination clause in any formal contract.

### What can go wrong?

Should anything go wrong with collaborative working arrangements, issues of liability can have wide implications for the charities involved, with repercussions for their assets and reputations.

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## When not to go it alone: is collaborative working or a merger right for your organisation? (continued)

### ◀ Page 4

- When considering any collaborative working arrangement, trustees must properly exercise their duty of care which means they must evaluate the possible risks in such arrangements.
- In all collaborations, charities should consider what would happen if one of the parties was suddenly unable to meet its obligations. For example, if two or more charities co-locate to share premises, what will happen if one party is unable to meet its share of rent? Can the remaining organisations afford the rent between them or will the increase in core costs cause serious problems?
- Have a clear formal agreement proportionate to the potential risks.

### Mergers

A merger is where two or more charities come together to one organisation. In such cases, either a new charity is formed to carry on the work or take on the assets of the original charities, or one charity assumes control of another. Trustees must act in accordance with the powers in their charity's governing document or those given to them by law to make sure any merger is legally sound. If these powers are insufficient, the trustees should contact the Charity Commission.

In today's harsh economic climate, there are plenty of voices claiming that mergers are **THE** answer to almost all problems but trustees **MUST** be aware that in the short-term there may be more costs than benefits and if a merger is being considered, they must be confident that the longer-term anticipated benefits justify those costs.

It might be thought that the objective of most mergers

would be to save money but, in reality, the decision to merge is not always driven by financial reasons. The Charity Commission estimates that about 58% of mergers are conducted to improve service delivery, 37% are for "solvency reasons" and 5% are for a combination of the two.

### What are the costs of a merger?

Trustees should not underestimate the costs of a merger. Adequate levels of funding need to be set aside for the merger and trustees should keep the actual and anticipated costs under review. Examples of costs that might be incurred are:

- introducing common technology and information systems;
  - professional fees;
  - advertising;
  - rebranding (i.e. stationery, printed and publicity materials, logos etc)
  - staff time;
  - relocation expenses;
  - governance costs such as special general meetings or amendments to membership or beneficiary records.
- Mergers can also have a lot of hidden costs such as:
- losing out on new initiatives, opportunities or income sources because of time spent on the merger;
  - significant disruption to charitable activities through, say, office relocation or staff redundancies;
  - loss of existing funding (for example where a funder donates only to charities with an income below a certain threshold which the merged organisation exceeds).

### What are the key issues for trustees thinking about a merger?

The main issues to consider when exploring a merger

proposal include:

- whether the merger will be in the best interests of the charity's beneficiaries;
- ensuring all legal issues have been addressed and that the process complies with the charity's governing document;
- how to maintain confidentiality;
- proper assessment of employment issues such as TUPE requirements, pension liabilities (in particular, final salary schemes) and compliance with employment law;
- sensitive handling of staffing issues such as managing any staff reductions (including, in some cases, the chief executive and other senior staff) and addressing staff morale in the period of change;
- an assessment of the risks attached to the proposed merger, including any operational and reputational risks.

### What does planning for a merger involve?

Mergers are major projects and should be approached as such. It's vital that trustees are clear about planning, timescales and costings throughout the merger process. The following stages are normally involved in the planning process for a merger:

- joint exploration (between all parties to the proposed merger) of the key issues including:
  - reasons for the merger;
  - potential benefits; and
  - potential obstacles,
- an initial feasibility study, cost-benefit analysis and risk assessment;
- allocation of dedicated resource (usually a project manager) to manage the process;

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"Small charities are saying that collaboration works and brings real benefits; to themselves, and most importantly, to their beneficiaries. There's a lot to be said for a 'charity begins at home' approach, with charities getting to know other local organisations that they might be able to work with."

Dame Suzi Leather, Chair of the Charity Commission

The services ACE offers include:

- Help and advice via telephone and email
- Preparation and independent examination of accounts
- 'ACE Value' Newsletter
- Training courses
- Training for groups at their premises
- Budget / cash-flow statement preparation
- Financial health check
- Writing a financial procedures document with a group
- Advising on and setting up financial systems
- Other consultancy work for organisations

Do contact us for further information.

## When not to go it alone: is collaborative working or a merger right for your organisation? (continued)

### ◀ Page 5

- legal and accountancy analysis by advisers;
- advice from or discussion with the Charity Commission if any legal issues or problems arise;
- a formal 'due diligence' (this term is explained below) exercise which is usually carried out by each organisations' auditors or accountants;
- a formal decision by each trustee body to proceed with the merger.

#### What is 'due diligence'?

This term is used to describe the investigation of another organisation or organisations in advance of a completion of a merger. The result of a due diligence exercise is that there are no nasty surprises in store for any of the parties once the merger has gone ahead! The areas that are usually covered by due diligence work include financial and legal matters, service delivery, fundraising strategy; evaluation of future income sources; property, pensions, and IT systems.

#### How can trustees increase the likelihood of a successful merger?

Merging two or more organisations is a **LOT** of

work and it takes real effort to ensure the new merged organisation is successful. Trustees need to recognise that:

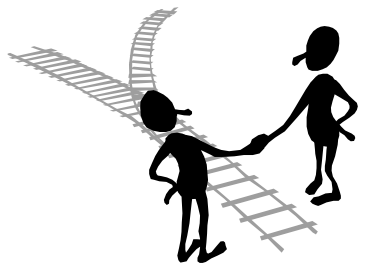
- Good communication, both internal and external, is vital.
- Time and resources will need to be spent on filling key roles such as chair, chief executive and board members.
- Similarly, it's important to decide on an appropriate name and identity for any new organisation.
- There will be a need to engage with and manage the expectations of staff particularly if posts are to be lost and staff are required to compete with colleagues for remaining posts.
- A new organisational culture will need to be set and internal politics managed.

#### Is it worth it?

Mergers can work extremely well as is borne out by Cancer Research UK which is now four times the size of either of the two charities, the Cancer Research Campaign and the Imperial Cancer Research Fund who merged to form it. For the smaller organisation, however, there is always likely to be a down-side. As a

Charity Commission spokesman comments "Diversity and independence are important strengths in the charitable sector and we recognise that every charity has its own distinctive contribution to make to society." Local and grassroots knowledge is one of the most valuable assets of the smaller charity and one that is easily lost in a merged, larger organisation.

Trustees must be sure that the merger will help them achieve the objectives of their organisation. Potential merger partners should have compatible objectives so that the merger allows current work to continue. Trustees should only go ahead if it will mean more or better services for beneficiaries or the continuation of existing services which would otherwise be lost.



<p>Course bookings / general enquiries, email: <a href="mailto:info@acecas.org.uk">info@acecas.org.uk</a> (see page 8 for our address &amp; phone number)</p>	
<p>Sue Cullum ACE Manager <a href="mailto:sue.cullum@acecas.org.uk">sue.cullum@acecas.org.uk</a></p>	<p>Joseph Yongo Community Accountant <a href="mailto:joseph.yongo@acecas.org.uk">joseph.yongo@acecas.org.uk</a></p>
<p>Siobhan Bailey Training Officer / Community Accountant <a href="mailto:siobhan.bailey@acecas.org.uk">siobhan.bailey@acecas.org.uk</a></p>	<p>Richard Mico Community Accountant / Administrator <a href="mailto:richard.mico@acecas.org.uk">richard.mico@acecas.org.uk</a></p>

## Training Diary: April - June 2011

Date	Course	Venue
Tuesday 5 April	Business Planning	Romford
Wednesday 6 April	Budgeting and Reporting to the Management Committee	Starting Pt.
Tuesday 12 April <i>(10 am - 2.30 pm)</i>	Budgeting Workshop Using the Full Cost Recovery Approach <i>(lunch is provided for this workshop)</i>	Starting Pt.
Tuesday 19 April	Budgeting and Reporting to the Management Committee	Ilford
Tuesday 17 May <i>(10 am - 2.30 pm)</i>	Basic Bookkeeping <i>(lunch is provided for this course)</i>	Ripple C.
Tuesday 17 May <i>(10 am - 2.30 pm)</i>	Roles & Responsibilities of Trustees and the Trustees' Annual Report <i>(lunch is provided for this course)</i>	Starting Pt.
Tuesday 24 May	Keeping a Cash Book on Excel	Starting Pt.
Thursday 26 May	Business Planning	Ripple C.
Tuesday 31 May <i>(10 am - 2.30 pm)</i>	Budgeting Workshop Using the Full Cost Recovery Approach <i>(lunch is provided for this workshop)</i>	Romford
Wednesday 1 <b>and</b> Thursday 2 June <i>(10 am - 2.30 pm)</i>	QuickBooks Workshop <i>(lunch is provided for this two-day workshop)</i>	Romford
Tuesday 7 <b>and</b> Wednesday 8 June <i>(10 am - 2.30 pm)</i>	"Commissioning" - are you ready? <i>(lunch is provided for this two-day workshop)</i>	Starting Pt.
Wednesday 8 June <i>(10 am - 2.30 pm)</i>	Roles & Responsibilities of Trustees and the Trustees' Annual Report <i>(lunch is provided for this course)</i>	Ilford
Tuesday 14 June	Business Planning	Starting Pt.

Details are subject to change but are correct at time of going to press.

All courses in the diary above start at 10 am and finish at 1 pm (unless stated otherwise).

Lunch is provided for courses which finish at 2.30 pm.

ACE training courses are also advertised on these websites:

[www.bdcvs.org.uk](http://www.bdcvs.org.uk)  
[www.havco.org.uk](http://www.havco.org.uk)  
[www.redbridgecvs.net](http://www.redbridgecvs.net)  
[www.citycomm.org.uk](http://www.citycomm.org.uk)  
[www.elcvsnetwork.org.uk](http://www.elcvsnetwork.org.uk)

### Training venues

Community House,  
19/21 Eastern Road,  
**Romford,**  
RM1 3NH

Forest House,  
16-20 Clements Road,  
**Ilford,**  
IG1 1BA

**Ripple Centre,**  
Ripple Road,  
Barking,  
IG11 7FN

**Starting Point,**  
16 Pickering Road,  
Barking,  
IG11 8PG

## ACE (Accounting for Community Enterprises)

Community House  
19/21 Eastern Road  
Romford  
Essex, RM1 3NH  
Phone: 01708-735214  
Fax: 01708-721312  
Email: [info@acecas.org.uk](mailto:info@acecas.org.uk)

ACE is part of **havco**, the  
Havering Association of  
Voluntary and Community  
Organisations

*A professional approach to  
community accounting for East London*

ACE works in association  
with Redbride CVS and  
Barking & Dagenham  
CVS



and in association with  
CITY.COMM



ACE receives funding  
from London Councils  
and from the London  
boroughs of Havering,  
Redbride and Barking &  
Dagenham



## Fraud: it really can happen to you

The National Fraud Authority (NFA) estimates that the charity sector loses £1.3 billion a year to fraud. This estimate is much higher than those of previous years; the NFA says its new figures are more likely to be an accurate reflection of the true level of fraud than those in the past because it has now surveyed sector organisations about their experiences of fraudulent activity.

The Charity Commission's Chief Executive, Sam Younger, said the NFA's report should act as a "wake-up call to any charity who thinks it will never happen to them".

### Top tips

The Commission has produced ten 'top tips' for trustees of smaller charities to protect themselves against fraud, taken from its guidance CC8, *Internal Financial Controls*:

1. Make sure you have access to accurate and up-to-date financial information and monitor the charity's financial performance against its budget
2. Make sure that cheques and cash are kept securely, banked promptly and recorded in the accounting records
3. Ensure cheque-books are kept in a secure place – do not sign blank cheques
4. Make sure there are proper controls in place to protect income received by post and bank it as soon as possible
5. Make sure there are proper controls in place in relation to fundraising events, such as making sure two people handle and record the money received, that money is banked as soon as possible and that collection boxes are numbered and recorded
6. Keep proper records when claiming gift aid – HMRC gives advice on what should be recorded
7. Make sure you have a clear policy on paying expenses to staff and volunteers and make sure they are authorised by someone other than the claimant
8. Make sure you have controls to ensure that all income from trading is recorded and received
9. Have monitoring procedures in place to make sure grants have been used for the agreed purposes
10. Report any suspected fraud to the police and to the Charity Commission



To download this guidance, go to  
[www.charity-commission.gov.uk/Publications/cc8.aspx](http://www.charity-commission.gov.uk/Publications/cc8.aspx)  
or to view as a PDF, go to  
[www.charity-commission.gov.uk/Library/guidance/cc8text.pdf](http://www.charity-commission.gov.uk/Library/guidance/cc8text.pdf)

The Charity Commission can be emailed through their website by visiting  
[www.charitycommission.gov.uk/sendmailCRM.aspx](http://www.charitycommission.gov.uk/sendmailCRM.aspx).

If you are unable to email, then the Charity Commission can be contacted by telephone. The phone number is 0845 300 0218. Lines are open from 8.00am to 6.00pm weekdays, except national holidays.

### 2010 Evaluation Feedback Form

We are very grateful to everyone who took the time to complete and return the 2010 evaluation form we sent in November to those who had used our service in the previous twelve months.

We do read what you send us and your feedback does make a difference!

Thank you.

The winner of the prize draw was Lynn Morris of  
Euromedical Ambulance Service.

Lynn won a £30 gift card.