



PROMOTING BEST PRACTICES
IN CHARITY FINANCE

ncvo



Institute of
Fundraising



The SROI Network
Accounting for Value



Principles of Good Impact Reporting

Introduction

Charities and social enterprises that hope to engage, inform and inspire their stakeholders try to communicate clearly the impact of their work. From local groups run by volunteers to national charities employing thousands of staff, all social organisations should tell their stakeholders how they are fulfilling their purpose and achieving the change that they seek.

Good impact reporting helps beneficiaries, volunteers, donors and other supporters understand and engage with a charity's vision. It also helps staff and trustees focus on results and work to achieve their vision.

Yet communicating impact is not easy. While financial reporting by charities is regulated through the charities SORP, and trusteeship is guided by the Code of Good Governance, impact reporting has until now lacked a framework of requirements or suggested practice.

This document sets out some principles of good impact reporting. It looks at two themes:

- **how charities should communicate their impact**, using principles such as clarity, accessibility and transparency; and
- **what charities should communicate**, from objectives to results to lessons learned.

By using these principles to demonstrate their impact, charities and social enterprises can begin to shape how they are perceived. They can help to shift the prevailing focus away from concerns about administration costs or chief executives' salaries, and towards what really matters: the difference they make in people's lives.

Background

The principles set out in this document are the result of a collaboration between seven organisations, coordinating work we are doing on how charities communicate impact.¹ Similar initiatives are happening in other countries too, including the Charting Impact project in the US, and the Social Reporting Standards project in Germany.

We are currently in a consultation phase, seeking feedback from all the groups involved in charities' reporting, including charity chief executives, finance directors, fundraisers, and grant-making trusts. We aim to launch an agreed set of principles in February 2012, with the endorsement of the Charity Commission and the Office for Civil Society. The Charity Commission has been involved in developing these principles and has already told us: *'It is a very valuable initiative led by the sector for the sector and the Commission is very supportive of it and keen to see it progressed.'*

We encourage you to put these principles into practice and let us know what you think. Please direct your feedback to tumley@philanthropycapital.org—see the end of this document for questions we seek to answer through this consultation.

¹ The seven organisations are New Philanthropy Capital, Acevo (Association of Chief Executives of Voluntary Organisations) incorporating the ImpACT Coalition, CFDG (Charity Finance Directors Group), the Institute of Fundraising, The SROI Network, NCVO (National Council for Voluntary Organisations).



Principles of Good Impact Reporting

How should charities communicate their impact?

There are six general principles that define how charities should communicate their impact:

- **Clarity:** The reader can quickly and easily understand the organisation through a coherent narrative that connects charitable aims, plans, activities and results.
- **Accessibility:** Relevant information can be found by anyone who looks for it.
- **Transparency:** Reporting is clear, open and honest.
- **Accountability:** Stakeholders (including the people who benefit from the charity's services) have the means to hold the charity to account for its actions.
- **Proportionality:** The level and detail of reporting reflects the size and complexity of the organisation.
- **Verifiability:** Claims can be verified externally, and the charity shows where it has been subject to peer review or external audit.

Principles of Good Impact Reporting

What should charities communicate about impact?

There are six specific principles that define what charities should communicate about their impact.

- **Clear purpose**
 - What needs or problems are we trying to address?
 - Why are we here? What is our mission? Why us rather than anyone else?
 - What is our vision? What change are we trying to bring about? What do we want our impact to be, and over what timescale?
 - What do our key stakeholders want us to achieve?
- **Defined objectives**
 - What do we aim to achieve? What are our measurable short and long-term objectives?
 - How do these objectives help us achieve our vision?
- **Coherent activities**
 - What are we doing to achieve our objectives? What are our activities, outputs and expenditure?
 - Are our activities part of a coherent plan?
 - How do these activities achieve our objectives? What is our 'theory of change'—our plan showing how our activities lead to change?
- **Demonstrated results**
 - What are we achieving and how does this compare with our objectives?
 - To what extent are we contributing to our overall goals?
- **Evidence**
 - How do we know what we are achieving?
 - Do we have appropriate evidence of these results?
- **Lessons learned**
 - What are we learning about our work?
 - What are the unintended consequences of our work (positive or negative)?
 - How are we communicating what we are learning? Are we sharing knowledge, publishing results and collaborating with other organisations?
 - How are we using what we have learned to improve what we do? Are we revising our strategies, programmes, activities or operations?



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Applying the principles

The principles of good impact reporting guide charities and social enterprises through communicating their impact. This could include:

- annual reports, annual reviews and impact reports;
- management information, board reports and organisational reviews;
- reports to funders, supporters, investors and commissioners;
- communications materials, such as websites, brochures and leaflets;
- fundraising materials;
- key messages about the organisation; and
- communications with, and feedback and responses from its beneficiaries.

If applied appropriately, the principles can help you to:

- be accountable to your stakeholders, engaging them in open and honest dialogue;
- engage and inspire supporters and potential supporters;
- review your activities and impact against your vision and purpose;
- challenge your assumptions and revise strategies and plans; and
- ensure that you are helping your beneficiaries in the best way possible.

Providing input into this consultation

We want to hear from you to ensure that these principles are as constructive as possible in helping voluntary and community sector organisations to communicate their impact. Please let us know what you think, if possible answering these questions as well as providing other feedback.

- Do the principles provide a good basis for approaching impact in your organisation?
- Are they correct, clearly written and easily understood?
- Do you think that the principles could be universally applied to all voluntary and community sector organisations?
- Would you use the principles? If so, in what situations and manner would you use them?

Please direct your feedback to tlumley@philanthropycapital.org.

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