

# Business Helpsheet

## Public benefit – How to report on it

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**In its Trustees Annual Report the charity is required to show how its aims and objects are for the public benefit. Before they can draft suitable paragraphs to demonstrate this, the Trustees need to be clear as to what their aims and objects are so that they can plan activities that fulfil these.**

**It might therefore be useful to start with a few definitions:**

**Objects** - a charity's objects will be set out in its constitution

**Aims** - these are ways in which the charity seeks to fulfil the objects set out in the constitution

**Activities** - what the charity actually does to fulfil its aims

**Achievements** - the results of the activities undertaken

For each of its activities the charity needs to explain how they benefit the intended beneficiaries, the outcomes and any longer term impact. To do this the achievements should be explained so that they are measured by reference to the charity's aims and objectives set by the Trustees.

Each aim must have a public benefit and the benefits that will be taken into account can only come from the charitable aims.

### **Requirements and practical application**

There are 3 legal requirements and 2 principles.

#### **The legal requirements are:**

- 1. Trustees must ensure that they carry out their charity's aims for the public benefit.**
- 2. A statement by the Trustees confirming whether due regard has been paid to the public benefit guidance published by the Charity Commission must be included in the Trustees Annual Report.**

The Charity Commission suggests that more than a simple statement of fact is required here and offers wording

'We have referred to the guidance in the Charity Commission's general guidance on public benefit when reviewing our aims and objectives and in planning our future activities. In particular the trustees consider how planned activities will contribute to the aims and objectives they have set.'

It is however not enough just to make this statement.

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Relevant as at  
April 2009

The Trustees must be able to demonstrate from their meetings and planning of activities that they have taken steps to understand what the guidelines require. They must also have considered how these affect the way in which they carry out their activities. Exceptionally where Trustees do not follow the guidelines they should be able to explain and justify why these have not been followed.

### **How to approach this?**

#### **a. Identify the objects of the charity**

These will be set out in the constitution and may be fairly lengthy and couched in legal terms. However it is only necessary to identify the key points.

#### **b. Explain the aims of the charity**

This will be an explanation of the differences that the charity seeks to make through its activities.

#### **c. Identify the charitable objectives and activities for the year**

Once the aims have been identified the Trustees then need to decide how the charity will fulfil its aims.

It is likely that the charity will be engaged in a number of activities directly related to its charitable aims. There may also be other activities such as fundraising and investment management which, whilst not directly related to the charitable aims are equally important because they provide the means for the charity to operate.

Having determined the activities the Trustees will then need to set out the objectives of those activities.

There may be several objectives and some of these may take longer than a year to achieve. The Trustees do need to plan ahead and should be discussing detailed plans for the current year but also have a rough outline of their objectives for future years.

The Trustees must also check that their activities have met the 2 key principles of public benefit. The key principles are explained in the other help sheet on this subject.

#### **d. Consider how success will be measured**

The Trustees need to decide what the success criteria/benefits might be and if and how it can be measured. Until the success criteria are determined the Trustees will not be able to identify the evidence that they will need to collect to measure the success (or not) of an activity. The evidence can be quantitative or qualitative.

This will form the basis of the final legal requirement, the feedback in the Trustees Report.

**3. A report of those activities undertaken by a charity to further its charitable purpose for the public benefit.**

It is clear that what is needed is not just a paragraph headed 'Public Benefit' but a demonstration throughout the report of the public benefit provided to the beneficiaries through the activities carried out by the charity.

The Trustees Report should already contain standard paragraphs for 'Objectives and Activities' and 'Achievements and Performance' as set out in the SORP.

We suggest that the Objectives and Activities paragraph contain the information relating to the objects, aims and the work that the charity has done during the year. This could cover the charitable as well as the non-charitable activities (e.g. fundraising, investment management etc).

The Achievements and Performance paragraphs can then pick up what the activities have achieved and whether the objectives have been met. This may contain statistical evidence of the work carried out but equally valid would be descriptions of the impact the work of the charity has had. This paragraph should also refer back to the plans set out in the previous year's report and whether or not they have been fulfilled.

It is here that the Trustees should highlight the activities that demonstrate the charity is fulfilling its public benefit requirements. The Principles of Public Benefit sets out the matters that need to be considered and are included in another helpsheet, but the areas that the Trustees may wish to expand on include:

- Highlight the difference that the activities have made to the target beneficiaries
- If it is perceived that there may be some downsides ("disbenefits") from the charity's activities how these are minimised/mitigated
- Much has been written about fee charging and the restrictions this may place on beneficiaries trying to access the service that the charity provides. The Trustees could explain here the steps that they have taken to widen access to such individuals
- Where it is likely to be an issue that trustees might want to stress that they do not receive any private benefit

The Trustees Report should also contain a brief outline of the plans for future years.

If there is still some uncertainty as to how this reporting should be structured the Charity Commission has kindly put some practical examples on its website:

<http://www.charity-commission.gov.uk/publicbenefit/pbreport.asp#examples>