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Building Better Governance

Board reports that add value:

a good practice guide

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[Centre for Charity Effectiveness]

CENTRE FOR CHARITY EFFECTIVENESS

Inspiring transformation within the nonprofit sector.

The vision of the Centre for Charity Effectiveness (CCE) at Bayes Business School is that of a nonprofit sector leading positive social change. We support the sector to achieve this through the services that we deliver: education, knowledge sharing, research and independent consultancy advice.

As one of Bayes Business School's centres of excellence, impactful knowledge exchange has been at the heart of what we do since our inception over 20 years ago.

CCE aspires to see a voluntary, community and social enterprise sector constantly extending its own knowledge boundaries and driving performance excellence – whilst developing and inspiring the next generation of leaders.

A number of the wider CCE team have made valuable contributions to this guide, including Caroline Copeman, Alex Skailes and Ros Oakley. This edition has been updated and edited by Christine Fogg.

Foreword

The unwavering vision of the Centre for Charity Effectiveness (CCE) is that of a strong nonprofit sector leading positive social change. We support the sector to achieve this through the services we deliver: education, knowledge sharing, research and independent consultancy advice.

We know that the need for good governance in our sector is greater than ever with recent public concern and media scrutiny which is often about the effectiveness of an organisation's governance. As the Charity Governance Code says, 'good governance in charities is fundamental to their success'. Our governance practice team is regularly commissioned to undertake reviews or other activities in support of more effective governance.

This is one of a series of updated Building Better Governance (BBG) good practice guides covering key governance activities including:

- Board & trustee performance review
- Board involvement in strategy and planning
- Board reports that add value
- Developing a balanced scorecard & dashboard
- Developing the whole top team
- Effective board meetings.

We are confident that, taken together, these guides will be an extremely useful resource for trustees and the senior team, covering the key areas of practice that make the difference between a board that does the minimum and one that is truly effective. If you need further information or advice, please get in touch.

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What is effective board reporting¹?

Effective board reporting is about providing the board with information that is concise, relevant, reliable, timely, material and fit for purpose. The various reports that the Chief Executive and senior management team present to the board, together with the agenda, provide the essential mechanisms for the board to exercise its strategic, fiduciary and leadership roles.

Each report or paper provided to the board should have a clear purpose. Together the various reports that come to the board enable it to:

- Understand the external environment of the organisation and the needs of its diverse stakeholders
- Be confident in setting strategic goals for the organisation and understand the progress being made towards them
- Be confident that the organisation is well-run, compliant with necessary legislation and regulations, and that risks are appropriately managed
- Be assured the board's decisions are carried out
- Know that the organisation is achieving the objects for which it was established effectively.

1. This guide deals with internal reporting to the board, not external reporting

Key benefits of effective board reporting

Effective reports facilitate transparency and accountability and enable board members to:

- Get a strategic overview of how the charity is performing:
 - get advance warning of problem areas
 - delve into key issues facing the charity
- Keep learning about the charity including what works well and how things could be improved
- Constructively challenge and exchange knowledge with staff
- Focus attention and time on the issues that matter most.

Board reports and good governance

The principles from the Charity Governance Code² will be reflected in board reporting.

| Code principle | How this might be observed in board reporting |
|--|---|
| Organisational purpose | Reports, research and other data will support the board in periodically reviewing the external environment in which the organisation works to make sure that the charity, and its purposes, stays relevant and valid. The board looks at the entire organisational performance in the round, evaluating impact by measuring and assessing results, outputs and outcomes – and receives this data through regular reports that could include a scorecard or dashboard |
| Leadership | Trustees give sufficient time to carry out their responsibilities including preparing for meetings by reading reports and asking questions |
| Integrity | Trustees understand, disclose, report and deal with actual or potential conflicts of interest and maintain their independence; reports give consideration to potential conflicts of interest and clearly set this out The board safeguards the charity's reputation and considers when and how reputational management and risk are reported to the full board The board ensures that the charity follows the law with board reporting assuring trustees of compliance |
| Decision making, risk and control | Board reports enable the board to maintain a focus on strategy, performance and assurance rather than operational management The board regularly monitors performance using reports with a consistent framework that checks performance against delivery of the strategy The board regularly considers information from other organisations to benchmark or compare performance and receives regular/annual reports that provide such information The board retains overall responsibility for risk and is clear about how risks are identified, managed and mitigated against including through (agreed) periodic reporting The board describes the charity's approach to risk in its annual report The board is clear on the information and reporting mechanisms required of committees to the full board |
| Board effectiveness | The chair (working with trustees and staff) plans the board's work programme, ensuring trustees have the information they need to explore issues and inform decision making There are opportunities for on-going learning and development which will include the circulation of new or relevant research and analysis and changes to the operating environment The board may wish to seek specialist, independent external advice to enable it to discharge its duties effectively and report findings to the board Annual board reviews and development plans come to the board for discussion |
| Diversity | The board makes positive efforts to reduce or prevent obstacles to people becoming trustees including looking at the presentation of papers; for example, communications provided in different formats Trustees ensure that mechanisms are in place to monitor and achieve the board's diversity objectives – this may include reports to the board on progress |
| Openness and accountability | The board receives regular reports on positive and negative feedback received and on staff/volunteer engagement |

2. The Charity Governance Code for larger charities (2017)

Key principles and approach for three different types of report

The key to a successful board report is to be clear about why it is being brought to the board.

Understanding the purpose of the report is crucial to deciding what information is needed and how it should be presented. The exact purpose may vary, but most board reports fall into one of three broad categories, for which different approaches are appropriate:

- To enable the board to make a decision
- To report progress and performance to the board and to ensure control and compliance
- To learn, build knowledge and generate new thinking.

REPORT/PAPER FOR DECISION

These papers enable the board to set direction, or to set boundaries. They provide a framework to guide the work of the charity.

Examples: Proposed budget, proposal for a new project, proposal for a new or amended policy or procedure; risk management process; strategy; vision, mission, values; terms of reference for committees.

Key principles on approach to use:

- Contains sufficient information to make a decision
- Considers alternatives and makes reasoned recommendations
- Highlights risks

- For big decisions it may be appropriate to have a series of reports brought to successive meetings e.g. first reports set out issues, agrees principles, second reports sets out options, third report sets out implementation and monitoring plan for preferred option.

Key questions for trustees

- Do we have sufficient information to make this decision? Are there important angles that have not been sufficiently considered?
- Are we confident that the people who have drafted the report have the necessary skills and knowledge? Do we need external specialist help?
- Do we understand the resource implications? What are the opportunities and risks? How will risks be managed?
- Is the approach consistent – e.g. With legal requirements? With our vision, values, strategy, other decisions we have made? With user needs and wishes?
- Is it clear how progress will be monitored and reported? Or in the case of policies how can we be sure they are being followed?
- How will we document the decision making process and demonstrate transparency and compliance?

A suggested format for decision making reports is in Appendix 1.

PROGRESS, PERFORMANCE, CONTROL AND COMPLIANCE REPORTS

These reports enable the board to assess performance.

Examples: Scorecard or dashboard, financial report, strategy progress report, project update, investment report, equal opportunities report, risk management register; results of audits, survey results.

Key principles:

- Compares what has happened with what was planned/forecast, or what has happened before
- Provides trend data and compares with other organisations where possible
- Uses a consistent format, preferably making use of graphs and colour coding so that key information can be absorbed at a glance
- Provides high level information – but also provides the opportunity to ‘drill down’ into the data if needed
- Makes clear any limitations of data presented
- Includes management comment on areas that are under- or over-performing, and explains action being taken to address problem areas. Root cause and implications of underperformance are explained.

In addition to performance reporting the board will also want audits and verification – these provide an additional level of assurance that the information being reported is reliable. For example, the board can agree policies and procedures, but how does the board know they are being followed?

Key questions for trustees

- Are we doing better or worse than planned?
- Do we understand the reasons for this?
- Has the management got a credible plan to deal with this?
- Do we need to commit more resource to ensure the staff have the support they need?
- Are our decisions being carried out?
- What potential improvements to performance can we see?
- How will these results affect our future direction?
- Are our controls effective?

Some suggestions on presenting data are given in Appendix 2.

REPORTS FOR LEARNING, BUILDING KNOWLEDGE AND GENERATING NEW THINKING

These reports enable the board to learn from experience and from others and to generate ideas about future direction and how to be more effective.

Examples: Evaluation reports, benchmarking data, research reports, beneficiary case studies, trends in volunteering/fundraising/outcomes monitoring; legislative update.

Key principles:

- These reports are likely to come in a variety of formats and from different sources both internal and external, so the board might want an external expert or a team leader to present on a specific topic

- Create opportunities for information to flow to and from board members so that the experience and expertise in the room is being used.

Key questions for trustees

- What are the implications for us and for our future strategic direction?
- How can we apply this learning?
- What new thinking could this generate?
- What knowledge isn't available that would be helpful for us to have for future decision making?
- How do we ensure staff get appropriate recognition for key achievements?

Two of the most common reports to the board, the Chief Executive's report and financial reports are explored in more detail in Appendix 7.

Hallmarks of an effective report

An effective report:

- Is clear about its purpose, in particular what trustees are being asked to consider, do, or decide
- Contains sufficient information to fulfil the purpose i.e. sufficient information to make a decision, sufficient information to assess performance
- Presents information so that it is easy to absorb and is concise
- Considers alternatives and highlights risks
- Generates more questions than answers (in a good way, i.e. stimulates new thinking).

In contrast poor reports:

- Are muddled about purpose
- Provide incomplete, outdated, inaccurate, confusing or misleading information
- Take too long to compile and too long to read
- Include data and narrative but little analysis
- Result in inconclusive discussion
- Generate more questions than answers (in a bad way, i.e. because it's hard to understand)
- Provide inappropriate levels of detail, with the danger that trustees stray into operational matters that are more appropriately dealt with by staff.

It's a good idea to create a board calendar setting out a reporting schedule for key reports. In this way the board can be sure it covers all the main areas over an agreed period (e.g. 12 or 18 months).

You may wish to create linked calendars for sub-committees, see Appendix 3.

The role of sub-committees in effective reporting

Sub-committees have an important role to play in ensuring boards get the balance right between maintaining an overview of everything that goes on in the organisation and having enough time at meetings to debate and discuss the strategic governance issues.

The sub-committee's role and performance in enabling this needs to be reviewed periodically by the board. A sub-committee's role in effective reporting (as permitted by the governing document) will include preparing recommendations to the board based on:

- Commissioned research
- Synthesis and analysis of implications of information they receive
- Consideration of a range of options
- Narrowing down options and/or making a recommendation (but keeping a decision making trail).

Reports/papers for decision are likely to have been worked on in more detail by the sub-committee in advance of them arriving at the board. It would be usual for the sub-committee to be involved

at an early stage in the development of a new initiative, and to keep the board informed of progress, deciding when and how the board gets more involved. A sub-committee may attach a cover sheet to such reports containing key messages and recommendations.

Progress, performance control and compliance reports are also likely to have been considered by the sub-committee whilst en-route to the board. Often, the sub-committee will receive a more detailed and in depth report on progress or performance than the board, and will agree what information will be sent forward to the board, attaching a summary note to the progress report. In all cases it is important that the board has the ability to drill down into the detail as it decides is appropriate, and be provided with a decision trail if required.

Reports for learning, building knowledge and generating new thinking may originate at a sub-committee as they usually have a horizon scanning role, and will be seeking out opportunities to build board knowledge and interest in their area of responsibility. They will also encourage board debate and discussion of the key issues and to consider likely future events.

It is usual for the sub-committee to submit the minutes of its meetings to the board, and for there to be opportunity at the board meeting for trustees to discuss any items they wish to pursue that are not covered elsewhere on the agenda. One way for the sub-committee to keep the board focussed on the things that matter is to attach a summary sheet (see Appendix 4) to the minutes, detailing those areas it feels are most important. The purpose of this summary sheet is to:

- Enrich the board's understanding
- Enable them to drill down if they want to
- Stimulate discussion about the right things
- Assure the board that the organisation is well run, compliant and is managing risks in line with the risk policy.

Common types of report

In this section we look in depth at two of the most common reports to the board and set out some pointers specific to these reports.

CHIEF EXECUTIVE REGULAR REPORT

Most boards have a regular report from their Chief Executive, but may not have clarified the purpose of the report and what information they actually need. Of course the style and format of Chief Executive reports will vary enormously.

Appendix 5 provides some pointers about its focus and what is and is not helpful to include. We suggest the role of the report is primarily about progress and performance reporting; and the building of knowledge and generation of new thinking. A routine report is rarely appropriate for decision-making – this is usually better suited to a separate paper.

FINANCE REPORTS

The board needs to ensure the organisation's financial health and that internal controls are adequate. This is not just about oversight and stewardship. Financial reporting needs to be set within the organisation's vision and strategic objectives and to contribute to the organisation's longer term sustainability.

As with other areas of the organisation, board papers on finance tend to fall into three categories

Decision making papers that set the framework for allocation of resources and financial control. For example, the board needs to agree and update appropriate policies and procedures such as financial controls, investment and reserves policies, and agree budgets.

Progress, performance, control and compliance reports

A range of different reports are needed by the board for it to know that proper accounting records are kept, assets are safeguarded and resources properly applied, and to enable the board to assess the effectiveness of the organisation's activities and the use of resources in meeting the agreed strategic goals. Key reports here include management accounts, the use of reserves and cashflow.

Learning, building knowledge and generating new thinking

Financial reports can also add value to the organisation by providing the financial framework for exploring options, developing new ideas and working assumptions and to plan for longer term sustainability

Appendix 7 contains suggestions about the range of different financial reports likely to be needed by the board and more information about their purpose.

Top tips

Invest time in improving reports to the board – good reports provide the foundation for effective discussion, save time and can avoid unnecessary repetition or conflict.

Create a board calendar setting out a reporting schedule for key reports – in this way the board can be sure it covers all the main areas over an agreed period (e.g. 12 or 18 months).

Consider using a scorecard – this is a select set of indicators the board has identified as being key to success. They should include measures that help predict future performance as well as reporting on what has already been achieved. For more information on this see *BBG: Developing a dashboard and balanced scorecard*

For Chair and Chief Executive – the task is to be clear about what kind of board conversation they want each report to generate.

Give feedback on reports coming to the board – suggesting improvements and giving praise when a report is highly effective. Notice whether reports succeed in generating insightful discussion or are received passively.

Rapidly reacquaint trustees with key context – e.g. provide a brief summary of previous discussions or decisions. Don't assume they will delve back into past papers for important information.

Ask effective questions – some questions are more effective than others in generating constructive debate. Asking 'why' can put people on the defensive. It may be more productive to ask 'what if . . .'

Focus on what is material – summarise and concentrate on significant categories, variances and other changes. Present and discuss information in order of magnitude or importance.

Resources

Carver J (3rd Edition 2006) *Boards That Make a Difference: A New Design for Leadership in Nonprofit and Public Organizations*, *John Wiley & Sons*

Charity Commission (2017) *Charity Finances, Trustee Essentials (C25)*

Charity Commission (2012) *Internal Financial Controls for Charities (CC8)*

Charity Commission (2013) *It's Your Decision: Charity Trustees and Decision Making*

Charity Commission (2017) *Charity Governance, Finance and Resilience – 15 questions that trustees should ask*

Butler L (2012) *The non-profit dashboard: Using Metrics to Drive Mission Success*, *BoardSource*

ICSA (2018) *Specimen Report Cover Sheet for Charity Board Meetings*

ICSA (2018) *Effective Board Reporting*

ICSA (2017) *Challenges to Effective Board Reporting*

Moon J (2008) *How to Make an impact, influence, inform and impress with your reports, presentations and Business Documents* *Financial Times / Prentice Hall*

Tufte E (2001) *The Visual Display of Quantitative Information*

Appendix 1: Sample contents for decision making report

1. Title of report
2. Summary
3. Author(s) and date
4. Purpose of the report including what is needed from trustees
5. Background/context
6. Issues
7. Implications:
 - a. Strategic
 - b. Financial
 - c. Risk management
8. Recommendations and/or options
9. Reporting back

Appendix 2: Presentation of performance data

Careful thought about how to present information can transform its usefulness³.

USE A CONSISTENT FORMAT

When a board becomes accustomed to seeing data in the same format over time, it is easier to spot trends, changes and problems that may cause concern.

PROVIDE A COMPARISON

To transform data into information, it is often useful to ask the question: compared to what? You can compare actual performance with target performance, or last year's, or with forecast or a chosen benchmark. You might want to display historical trend information so you can see whether the underlying performance is improving or declining. Comparisons help put performance in perspective.

USE CHARTS, DIAGRAMS AND OTHER GRAPHICS TO BRING YOUR DATA TO LIFE

Line charts, colour coding, bar graphs, pie charts, and data maps can be very effective in conveying information and revealing meaningful trends and patterns⁴. Milestones reached or stages completed can be helpful for project reporting

GIVE A BRIEF NARRATIVE

It's often useful to add a few words of description, identifying successes and areas of concern, and possible cause and effect relationships.

3. These suggestions are drawn from THE NONPROFIT DASHBOARD: Using Metrics to Drive Mission Success © 2012 BoardSource

4. For more information see The Visual Display of Quantitative Information, Edward Tufte. 2001

Appendix 3: Board committee calendar

Here's a possible format for planning board committee agendas and how they fit with the main board – with some sample entries.

| Month | Committee | Planned activities | Report to the board |
|----------|---------------------------|--|---|
| January | Board | | Agree financial policies to include: investments, reserves and pensions |
| February | Fundraising and marketing | Agree forthcoming annual plan Prepare quarterly report to board | |
| | Finance | Agree budget assumptions and final version (agree audit plan) | |
| March | Board* | | Agree final budget (financial year end) |
| May | Fundraising and marketing | Prepare annual report to the board | |
| | Finance | Review Investment performance; property and estates valuation | |
| June | Board | | Audit report to board Prepare trustees' report |
| July | Fundraising and marketing | Review of committee effectiveness and update terms of reference Prepare quarterly report to board | |
| August | Finance | Review management letter and propose actions | |
| | Board | Review and agree risk management policies and internal controls | Management letter to board Sign off report and accounts |
| October | Fundraising and marketing | Prepare quarterly report to board | |
| | Board | | |
| November | Finance | Prepare annual report to the board | |
| December | Fundraising and marketing | Prepare quarterly report to board | |
| | Board | | |

* A number of financial reports will be presented to the board on a quarterly basis. These are detailed in Appendix 6.

Appendix 4: Summarising committee discussions to the board

Summary from board sub-committee:

For board meeting date:

Date of sub-group meeting:

Key issues under discussion:

Information for the board attention:

Actions since last sub-committee meeting:

Board decisions required:

Date of next meeting:

Author of summary:

Appendix 5: Chief Executive report

WHY IS IT IMPORTANT?

The Chief Executive's regular report provides good quality information to the board about progress and likely future performance – good and bad – on a timely basis so that board members can respond appropriately. It also has a role to play in sharing intelligence and insight with the board that may shape future strategy. This is more about stimulating dialogue about the organisation's direction and priorities.

The Chief Executive's regular report is a key way for the board to hold the Chief Executive to account. Good Chief Executive reports build understanding and confidence. Board members feel they get reliable and appropriate information and that there is honesty about challenges as well as successes. Chief Executive reports should reflect what is important to trustees and not just what is important to

the Chief Executive. At the same time the Chief Executive should feel able to share, feel supported and able to ask for advice when appropriate.

Common pitfalls in Chief Executive reports:

- Random list of what the Chief Executive or staff team have been doing or who they have been meeting
- Is focused on past or current performance and fails to look forward.
- Selective – rather than a balanced overview
- Overly focused on good news whilst neglecting to comment on less positive areas.
- Duplicates areas included in other reports or provides conflicting information to that provided in other reports.

- Unrelated to strategic objectives
- Suggests a change in policy, budget or strategy without adequate information or context on which to base such a decision
- Lack of analysis: all data and no opinion or all opinion and no data.

Possible format

You may find it helpful to think of the Chief Executive report as falling into 3 parts:

- a) Performance: giving an overview of performance and implications for future performance
- b) Early alerts: giving early notice of emerging risks and opportunities
- c) Insight and ideas: to stimulate strategic thinking and discussion.

Each of these parts is explored further in the table below

| Chief Executive regular report – a possible structure | | |
|--|---|---|
| Section and purpose | Content | Questions for Chief Executive to consider |
| Strategic performance report: Give an overview of performance and implications for future performance | <p>A report of progress against agreed strategic objectives and/or targets. It should follow the key principles of performance reporting set out in Section 4 (progress, performance, control and compliance reports) of this guide. We recommend using a scorecard or dashboard⁵, but you may wish to adopt your own approach. This could be a set of standard headings drawn from the strategy or business plan. It should provide a quick overview for trustees. A narrative section should comment on areas that are off target, and what is being done to bring them back on target.</p> <p>The Chief Executive may wish to highlight outstanding performance by individuals and teams to help trustees ensure they give due recognition.</p> | <p>Am I giving the trustees a balanced view of what is going on in the organisation?</p> <p>Have I struck an appropriate balance between good news and ‘bad’ news?</p> <p>Which issues have or potentially have strategic importance – and should be ‘foregrounded’?</p> <p>What are the implications for future performance?</p> <p>Is there not just data but analysis too?</p> <p>Are there individuals or teams who deserve particular recognition?</p> |
| Early alerts (internal and external): giving early notice of emerging risks and opportunities | <p>You may find it useful to have this section in which the Chief Executive can identify potential opportunities and risks at an early stage. It is worth including internal and external factors. Items that may feature here include staff matters, funding opportunities. This is a good place to raise issues that are not obvious from the performance reports.</p> | <p>What do I need to forewarn trustees of? How do I ensure ‘no surprises’</p> <p>Are there potential problem areas where it would be helpful to have advice or a steer from the board?</p> <p>Are there potential opportunities that it would be helpful for the board to be aware of e.g. interest from a particular donor? News about our funders?</p> |
| Insights and ideas: to stimulate strategic thinking | <p>This section provides an opportunity for the Chief Executive to share insights about, or questions prompted by recent events internal or external. (For example what does this say about our culture, or is this an important trend for the future, could this be a new funding stream?)</p> | <p>Are there strategic issues here for trustees to think about?</p> <p>Do trustees share my interpretation of this?</p> <p>Do I know whether they attach the same importance as I do?</p> |

5. For more information see *BBG: Developing a dashboard and balanced scorecard*.

Appendix 6: Financial reporting

Like other areas of trustee responsibility, finance is a collective responsibility and should not sit with an individual board member. The purpose of the financial report is to enable trustees to come armed with the necessary knowledge to contribute to the debate and decision making.

Financial reports should present financial information which is consistent, transparent and can be read as a standalone report. This will help to build trust between the board and management team.

KEY POINTS

- The information should be as up to date as possible, presented in the context of the agreed strategic objectives of the organisation. It should help tell the story about the services you are delivering and how you do it
- Try to give consistent material presented in a standard format for each reporting period
- Include an executive summary at the front which
 - summarises the report's content and highlights key information
 - draws the board member's attention to certain points with an explanation as to why they need to consider these ahead of the board meeting
 - contains a summary report of key performance indicators (perhaps using a traffic light system to signal items of particular importance)

- Non-standing items should be at the back of the report where they can be reviewed in one go and not distract from the expected and regularly provided information
- Balance the level of detail to the information that the board needs and will use – aim to promote discussion whilst at the same time providing sufficient information to aid understanding
- If and where possible, try to account for operations during the year by using the same accounting principles as those used to draw up the year-end statutory accounts. The board has an ongoing responsibility throughout the year, not simply at the year end and will be reassured if they can read across from the cumulative management information to the statutory accounts without too many adjustments.

ADDITIONAL REPORTING

One size reporting will not fit all organisations. Different stages of growth and development will require additional reporting.

Capital projects or new initiatives will call for specialised budgets.

At times of difficulty there will be a need for additional detail, frequency of reporting, regularly updated forecasts and monitoring of cashflow.

The charity Statement of Recommended Practice (SORP) puts increased emphasis on the reporting of outcomes and impact created⁶. A good finance report will help trustees' understanding of how outcomes are being achieved and the organisation will be able to tell "its story" to external stakeholders.

More information can be found overleaf about the kind of information you might include.

SOME TIPS:

Try to put narrative on the same lines as summary figures to answer the "so what" test.

Round your numbers to the nearest thousand or million; it helps readers to engage with information and makes for easier understanding.

Put negatives in brackets not with a minus sign which is easy to miss.

Where data falls outside expected parameters consider reporting by exception.

Provide tables and visuals⁷ if helpful and put operational detail in an appendix if necessary.

6. See the Institute of Chartered Accountants in England and Wales website for examples of charities demonstrating best practice

7. For some suggested approaches see How to Make an Impact, influence, inform and impress with your reports, presentations and Business Documents by Jon Moon, (2008) London, Pearson Hall

Appendix 7: Key financial reports

In practice reporting to the board will include information on financial control, compliance and performance evaluation as one package. Some information will need to be presented more regularly than others and together the papers will contribute to the complete planning, review and learning cycle. It is usually the finance director or the chair of the finance sub-committee who will present the information. The table below suggests what information should be presented at the different intervals.

| | Purpose of reporting |
|--|---|
| Annually reported | To ensure that the trustees can be publicly responsible for the adequacy of internal controls and for the fairness and accuracy of the annual report and accompanying financial statements. |
| A fully costed budget which is in line with the strategic plan's short term objectives | To form part of the system of control to safeguard the assets and apply resources properly for the objects of the charity. The budget will be agreed by the board and be reported against on a quarterly basis. |
| Report and [audited] accounts | To prepare and then sign off on the Trustees' Report and Financial Statements in accordance with applicable law and the United Kingdom Accounting Standards. |
| Issues raised in Auditor's Management letter | To enable any material weaknesses in the accounting and internal control systems identified during the audit to be resolved on a timely basis. To ensure all adjustments required to the accounts are fully understood and to agree their resolution and timing. |
| Internal controls policies | To comply with best practice and to safeguard the assets and the continued service delivery of the organisation. To review and set the control policies and ensure they are clearly linked to the internal and external risk environment. |
| Risk management assessment | To enable the board to determine the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. To enable the board to understand, evaluate and take action on their risks with a view to increasing the probability of their success and reducing the likelihood of failure. |
| Financial policies; to include reserves, investments and pensions | To comply with applicable law and to observe the principles and methods contained in the Charities SORP. |
| Investment performance and administration costs | To ensure the effective use of funds, that maximum Return on Investment (ROI) is being earned and to assess (and possibly benchmark) the level of investment management costs. To ensure that any fall in valuation will not impact significantly on the balance sheet (see below – property). To review any investment criteria and to amend as appropriate; for example, ethical investment criteria. |
| Pension / retirement benefits review | To enable the board to understand the financial implications of the pension and benefit plans. |
| Property and Estates valuation review | To provide a current valuation of property assets. This is particularly important in the current economic environment where a fall in property value, could in the worst case, result in a charity having an insolvent balance sheet. |

| | Purpose of reporting |
|---|--|
| Quarterly reports | To enable the trustees to be continually in touch with the finances, controls and risk management of the organisation so that they can discharge their stewardship and generative responsibilities. |
| Summary level management accounts (see template for suggested format) to include any project accounts | <p>To provide analysis and explanations of all significant variances together with information on options for remedial action / timescales in areas of concern.</p> <p>To ensure proper accounting records are maintained which can disclose with reasonable accuracy at any time, the financial position of the organisation.</p> <p>To ensure the budget is re-forecast at regular intervals if significant changes occur to the finances.</p> |
| Cash flow, aged creditors and debtors | A charity will fail if it runs out of cash! It may be appropriate for the board to see the monthly profile of cash expenditure together with an analysis of aged debtors and creditors. |
| A review of significant movements on restricted and unrestricted reserves | To ensure that reserves are being correctly accounted for and that the organisation has sufficient funds to enable medium term sustainability. |
| Trading subsidiary performance; profit and loss against budget and variances | To ensure that the trading performance is in line with agreed budget. |
| Comparative reports on other agreed benchmarks or specific service programmes | To measure against and compare with other organisations and assess the reasons for any differences. |
| An annual report on future financial scenarios will help sustainability | <p>This will help the board to consider the opportunities and threats to the funding model and to know how they will adapt to future challenges. This might include analysis of:</p> <ul style="list-style-type: none"> • Forecasts and trends in the sector • Internal and external drivers of financial performance • Options for future sustainability and the potential use of reserves |

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