

Performance counts

The new focus for charity reporting is on measuring output, outcomes and impact, reports **Pesh Framjee**



Our care

We specialise in providing high quality nursing which gives terminally ill people the choice of dying at home. We run ten hospices which provide expert care for in-patients and those living at home.

We also provide education for healthcare professionals and carry out research to improve the quality of care given to cancer patients.

Developing our care

Extending choice ☺ Fully achieved ☹ Part achieved ☹ Not achieved

Aim 2003/04
Increase choices for cancer patients.

Target
We will launch a campaign to enable more patients who want to die at home to do so.

Achievement against target ☺

We launched our Supporting the Choice to Die at Home campaign with the support of the Secretary of State for Health on 1 March, 2004. We also campaigned for a Health Select Committee inquiry into palliative care – which was announced in January 2004.

Aim 2004/05
Continue to increase choice for cancer patients.

Target
Carry on campaigning – publicising the obstacles which prevent patients being able to choose where they are cared for.

An extract from the Marie Curie Cancer Care impact report stating its aims, achievements and targets



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Increased competitiveness, donor awareness and improved monitoring and evaluation have caused charities to rethink the way they identify, record and report on what matters. The new focus requires trustees and management to consider more than the traditional budget and forecast. While these continue to be relevant, they measure inputs such as how much is spent on something. The focus will have to be on measures of output, outcomes and their impact on what the charity is trying to achieve.

In 2002, the Cabinet Office carried out a review on the charity and voluntary sector. The review considered the ubiquitous question of cost ratios and league tables. Fortunately, the point that cost ratios are difficult to compare because of the differing nature of charities and their operating mix was recognised. Instead, the review proposed that charities that have to provide

audited accounts should also submit a standard information return (SIR) to the Charity Commission. This would detail a range of qualitative and quantitative information about the charity, focusing on the charity's impact, how it measures its performance in achieving its aims, and how it intends to improve. This information would then be made available in a user-friendly format on the Charity Commission website. Earlier this year a consultation draft of the SIR was prepared and sent to about 180 charities (see <http://www.charity-commission.gov.uk/enhancingcharities/sirintro.asp>)

At a recent Deloitte seminar on reporting performance, Rosie Chapman, the Charity Commission's director of policy and strategy, presented a progress report on the SIR and the results of a public attitude survey commissioned by the Charity Commission (see box).

On discussing the SIR, it seems that there may be difficulty in providing a high quality response to the areas of reporting on outcomes and impacts, and much of the discussion was on how to deal with this important area. This concern may be because success and operational performance for many charities can be very difficult to monitor and evaluate. Success is not based on the bottom line surplus or deficit – it needs to be measured against the key indicators that reflect the visions and values of the organisation.

At present too many charities tend to express accountability and measures of effectiveness in pounds and pence. The focus is also on how much money has been received and how much has been spent. The pounds and pence are only part of the picture and money may be a poor proxy for value.

Very rarely is effective qualitative information provided on what has

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been achieved with the money and yet this is the feedback that is needed. The information that is needed is not how much has been spent but how much has been achieved in affecting the issues being addressed. The trustees' report along with the glossy annual review is the place to do this.

The Charity Commission interprets transparency and accountability as providing relevant and reliable information to stakeholders in a way that is free from bias, comparable, understandable and focused on stakeholders' legitimate needs. Over 60% of respondents to a public attitude survey commissioned by the Charity Commission said that the ability to compare important information between charities would affect their decision about which charity to support.

Clearly there is a desire to have comparability but the danger is that if charities do not provide useful qualitative information, the default position will be spurious and often misleading comparisons based on cost ratios and league tables.

Cost ratios

One of the key areas of focus by the media and other commentators is fundraising ratios and the cost of raising £1. Cost ratios are influenced by a number of factors and fundraising mix is an important one. For example, a number of benchmarking exercises and surveys show that legacy fundraising has the lowest cost ratios while cost ratios for special events and dinners are usually much higher. However, some types of charities, such as medical charities, do better at raising legacies than others, such as international aid charities, and this has little to do with their fundraising skills or effectiveness. Therefore some types of charity will have an inherent



Claire Newton: Emphasis on services

fundraising mix that predisposes to a lower fundraising cost ratio.

Even within a category of charities there are a number of factors that impact on this. Many fundraisers complain that statutory accounts suffer from the fact that income is often recognised in a different period to related expenditure. The reality is that with most forms of fundraising there is very little correlation between what is reported as fundraising costs in a year and the actual amount raised. The most extreme example is a legacy campaign but even direct mail campaigns show little correlation between reported income and expenditure. Cold mailings lead to poor cost ratios, even negative cost ratios, but they are still important as they generate new donors and ratios are improved in future years.

The financial reporting date can also have an impact. Consider street-to-street or house-to-house fundraising where the donor signs up to pay a fixed amount per month. The mechanics usually involve an upfront payment to an external fundraising company which usually equates to several months' income. If this campaign is run within six months of the year-end, the costs charged will inevitably exceed the income recorded. The following year there will be more income but no donor acquisition costs.

More than the bottom line

I often ask my clients to tell me how they define success, to articulate how they know that their charity has had a successful year, but without reference to the financial results. I also ask how they know that they are properly explaining this to their stakeholders. These seem to be tough questions and to answer them effectively the board and management need to consider some other questions and then how they present the answers to these questions:

- Why are we here?
- Where are we going?
- How will we get there?
- What might prevent us from getting there?
- Are we getting there?
- Do others know that we are getting there?

Some charities have produced innovative reporting formats to answer the last question. These 'impact reports' highlight what the charity set out to achieve, what it has achieved and what it has yet to do. A good example is the impact report

produced by Marie Curie Cancer Care (see illustration on previous page). At the reporting performance seminar Claire Newton, Marie Curie's finance director, explained that this format provided greater emphasis on services and less emphasis on finances but at the same time it also allowed better linkages to be made between spend, resource shortages and activity levels.

The messages are clear. Stakeholders should know what the organisation is aiming to achieve and how it is succeeding. The truth is that if an organisation cannot in some way be accountable and demonstrably satisfy the various stakeholders' different effectiveness criteria, there will be a break in the special relationship even if the stakeholders want to support that organisation's inherent objectives. The challenge is to move away from the focus on reporting only on financial inputs – such as what has been spent on fundraising and administration – to reporting on outputs, outcomes and impacts.

What the public say

An independent survey commissioned by the Charity Commission asked 1,000 people how important they think it is for charities to make the following information publicly available

	Very important/ important	Useful but not essential	Not important/ not at all important
	%	%	%
Aims and beneficiaries	86	10	4
Charity's objectives	85	11	4
Activities and their cost	85	11	4
Measuring success of activities	72	23	5
Particular achievements	76	18	6
Measuring the difference it makes	71	22	7
Using past results to plan the future	79	16	5
Effective leadership and management	77	16	7
Beneficiaries' influence on decisions & plans	74	19	7
Where its income comes from	75	16	9
Fundraising activities	81	15	4