



CHARITY COMMISSION  
FOR ENGLAND AND WALES

GUIDANCE

## Public benefit: reporting (PB3)

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# Contents

Part 1: About this guide	2
Part 2: The requirement to report on public benefit	5
Part 3: How to report on public benefit	6
Part 4: Trustees' annual reports sent to the commission	8
Part 5: Further information	9
Part 6: Technical terms	10
Annex A: Charities (Accounts and Reports) Regulations 2008	11

## Part 1: About this guide

Legal requirement: this guide explains the duty that charity trustees must report on how they have carried out their charity's purposes for the public benefit.

This guide is relevant to you if you are a trustee of a registered charity. It will also be of interest to you if you are thinking of applying to the Charity Commission to register a charity, so that you understand the duty to report on public benefit following registration.

### Other public benefit guidance

This guide is part of the commission's set of 3 public benefit guides.

Issues relating to whether your organisation's purposes are charitable and carrying out those purposes in the context of running a charity are dealt with in other public benefit guides:

- **Public benefit: the public benefit requirement** (PB1) - This guide explains the public benefit requirement. This requirement affects whether or not an organisation is a charity
- **Public benefit: running a charity** (PB2) – This guide explains public benefit in the context of running a charity

For more on the commission's public benefit guides see:

- **Public benefit: an overview**

### Having regard to commission guidance

Legal requirement: the Charities Act says that charity trustees must 'have regard' to the commission's public benefit guidance 'when exercising any powers or duties to which the guidance is relevant'.

Legal requirement: the Charities (Accounts and Reports) Regulations 2008 requires charity trustees to include a statement in their trustees' annual report as to whether they have complied with that duty.

'Having regard' to the commission's public benefit guidance means charity trustees should be able to show that:

- they are aware of the guidance
- they have taken it into account when making a decision to which the guidance is relevant
- if they have decided to depart from the guidance, they have good reasons for doing so

### References to other guidance

In some places in this guide links are provided to other relevant guidance to which readers of this guide may find it helpful to refer.

Where that other guidance does not form part of the commission's set of public benefit guides, and so is not guidance to which charity trustees must 'have regard', it says so.

## The law relating to public benefit

The commission's public benefit guidance is not the law on public benefit. The law on public benefit is contained in charities' legislation and decisions of the courts.

The commission's public benefit guidance is high level general guidance, written for charity trustees, to explain what the law says on public benefit and how it interprets and applies that law.

The commission make decisions about public benefit in individual cases based on the law as it applies to the facts of the particular case, and not on this high level guidance. This is because its general guidance cannot cover all the complexities of the law relating to public benefit.

For more information about the commission's view of what the law says on public benefit see:

- **Analysis of the law relating to public benefit**

This analysis of the law may be of interest to charity trustees who wish to know more about the legal basis of commission guidance. However, it does not form part of the commission's set of public benefit guides, and so is not, as such, guidance to which charity trustees must have regard.

## Use of 'must' and 'should'

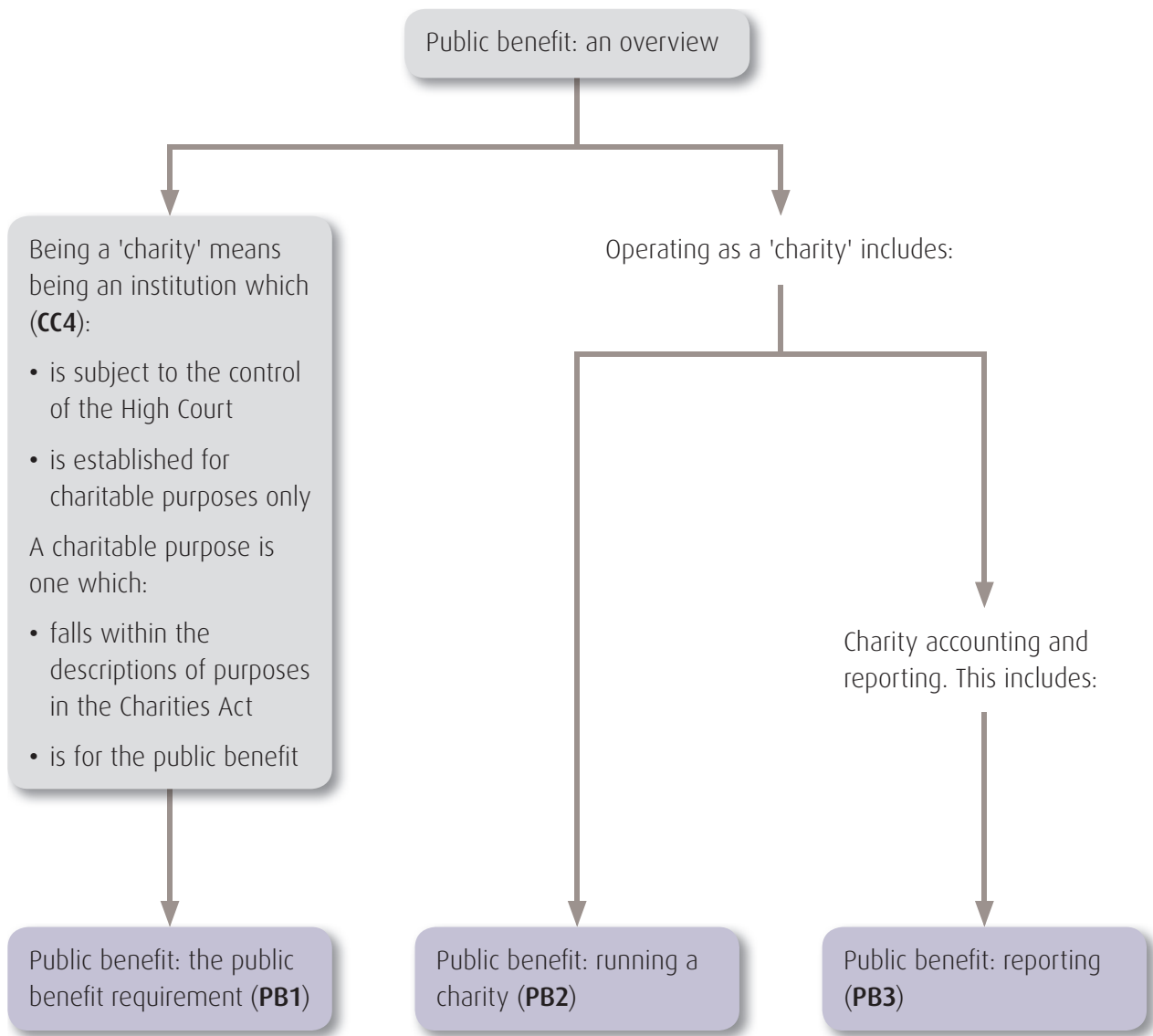
The word 'must' is used where there is a specific legal or regulatory requirement that you must comply with. 'Should' is used for minimum good practice guidance you should follow unless there's a good reason not to.

The commission also offer less formal advice and recommendations that trustees may find helpful in the management of their charity.

## The public benefit framework

The following chart shows you where reporting on public benefit sits in the overall framework of what it means for your organisation to be a charity, to operate as a charity and to report on your charity's work.

# Public benefit framework



## Part 2: The requirement to report on public benefit

Legal requirement: trustees of registered charities must report each year in their trustees' annual report on how they have carried out their charity's purposes for the public benefit.

This requirement is set out in the Charities (Accounts and Reports) Regulations 2008 (see Annex A).

### The public benefit reporting requirement for smaller charities

'Smaller charities' are registered charities below the audit threshold where gross income does not exceed £500,000.

Legal requirement: trustees of smaller registered charities must report on public benefit by:

- including a brief summary setting out the main activities undertaken by the charity to carry out its charitable purposes for the public benefit
- including a statement as to whether they have complied with their duty to have due regard to the commission's public benefit guidance when exercising any powers or duties to which the guidance is relevant

### The public benefit reporting requirement for larger charities

'Larger charities' are registered charities above the audit threshold where gross income exceeds £500,000.

Legal requirement: trustees of larger registered charities must report on public benefit by:

- providing a review in the trustees' annual report of the significant activities undertaken by the charity to carry out its charitable purposes for the public benefit
- providing details of purposes and objectives
- providing details of strategies adopted and activities undertaken to achieve those purposes and objectives
- providing details of the achievements by reference to the purposes and objectives set
- including a statement as to whether they have complied with their duty to have due regard to the commission's public benefit guidance when exercising any powers or duties to which the guidance is relevant

## Part 3: How to report on public benefit

### Rules about how to report on public benefit

Other than the different reporting requirements for smaller and larger registered charities set out in part 2 of this guide, there are no rules about how trustees should report on public benefit.

It is for trustees to decide the level of detail they wish to use to describe how they have carried out their charity's charitable purposes for the public benefit in the reporting year.

### How to deal with public benefit in the trustees' annual report

It is not necessary for a report on public benefit to be dealt with as a separate section of a trustees' annual report. It can be addressed, naturally, throughout the body of the report.

For many registered charities (especially smaller charities) it will be enough to satisfy the requirement to report on public benefit where the trustees' annual report:

- explains what the charity is there to achieve (its purposes)
- explains what the charity has done during the year to carry out those purposes (for the public benefit)
- includes a statement whether the trustees, in making decisions about that, have had due regard to the commission's public benefit guidance when exercising any powers or duties to which the guidance is relevant

### How public benefit reporting can help charities

Charity trustees have a duty to carry out their charity's purposes for the public benefit. (See **Public benefit: running a charity** (PB2).) Public benefit reporting is an opportunity for the trustees to explain how they have done that each year. Public benefit reporting, when done well, can be an effective tool for trustees.

Charity trustees, who say that public benefit reporting has helped their charity, tell the commission that it helps to:

- stay focused on what their charity is there to achieve (its purposes) when planning activities
- demonstrate what their charity does and the value of its work, particularly when applying for grant funding or fundraising
- link with impact reporting and demonstrating the charity's transparency and accountability
- improve the overall quality of reporting on the charity's work

### Examples of public benefit reporting

Legal requirement: those charities not eligible, or not opting, to prepare their accounts on a receipts and payments basis must prepare their accounts to comply with the Statement of Recommended Practice (SORP) Accounting and Reporting by Charities.

To help charity trustees preparing their reports and accounts in line with the recommendations of SORP 2005, the commission have produced some **Example trustees' annual reports and accounts**. Although these do not form part of its public benefit guidance, trustees may find them helpful in designing the layout and format of their trustees' annual report in a way which includes reporting on public benefit.

The examples address the different public benefit reporting requirements for smaller and larger registered charities.



## **Part 4: Trustees' annual reports sent to the commission**

### **Displaying Trustees' annual reports on the commission website**

The commission displays on its website trustees' annual reports that are sent to them.

### **Endorsing Trustees' annual reports about public benefit**

The commission do not, as a matter of policy, endorse reporting on public benefit by individual charities.

However, it will continue to seek and provide examples of good public benefit reporting as models to help other similar charities.

### **Checking Trustees' annual reports**

The commission do check a random sample of trustees' annual reports for the quality of reporting, including about public benefit.

The trustees' annual report is important to a charity reporting its work transparently to donors and the public. The commission may consider a general failure to report to be a possible indication of other problems that it might wish to explore further with the trustees.

Also, where it is brought to the commission's attention, it would consider persistent non-reporting of public benefit by charity trustees a potential regulatory issue.

## Part 5: Further information

This part provides links to other guidance which you may find of interest in relation to this guide.

### The following are included in the commission's set of public benefit guides:

- Legal requirement: **Public benefit: running a charity** (PB2)  
This guide explains public benefit in the context of running a charity.
- Legal requirement: **Public benefit: the public benefit requirement** (PB1)  
This guide explains the legal requirement that a charity's purpose must be for the public benefit. This is known as the 'public benefit requirement'.

### The following are not included in the commission's set of public benefit guides

- **Public benefit: an overview**  
This guide gives an overview of the commission's public benefit guidance. It explains:
  - how understanding public benefit will help a charity's trustees
  - the trustees' duty to 'have regard' to the commission's public benefit guidance
  - some key points to know about the law relating to public benefit
- Legal requirement: **Preparing your trustees' annual report**  
Guidance on the requirement in the Charities Act that all registered charities must prepare a trustees' annual report.
- **Example trustees' annual reports and accounts**  
Guidance to help charities preparing their reports and accounts in line with the recommendations of SORP 2005.
- **Principles of Good Impact Reporting**  
This document sets out some principles of good impact reporting.

## Part 6: Technical terms

The following terms are used in this guide, and should be understood as having the specific meanings given below:

**The Charities Act:** the Charities Act 2011.

**Charity trustees:** the people who serve on the governing body of a charity. They may be known as trustees, directors, board members, governors or committee members. Charity trustees are responsible for the general control and management of the administration of a charity.

**Governing document:** a legal document setting out a charity's purposes and, usually, how it is to be administered. It may be a trust deed, constitution, articles of association, will, conveyance, Royal Charter, scheme of the commission, or other formal document.

**Objects:** A charity's 'objects' are a statement of its purposes. Usually these are found in the 'objects clause' of a charity's governing document. However, not all charities have a governing document with an objects clause.

Usually a charity's objects clause means the same as its purposes, but sometimes they are slightly different, such as when:

- the objects clause does not adequately or fully express the organisation's purposes
- the clause contains more than just the objects, such as powers

**Public benefit requirement:** the legal requirement that, to be a charity, an organisation's purposes must each be for the public benefit (legal requirement).

**Purpose(s) and charitable purpose(s):** the commission use the term '**purpose(s)**' to mean the purpose(s) of an individual organisation. A charity's purpose is what it is set up to achieve.

To be a '**charitable purpose**' a purpose must fall within one of the descriptions of purposes in the Charities Act and be for the public benefit. This has to be demonstrated in each case (legal requirement).

**The courts:** the commission use this term to mean, collectively, the Tribunal, the Upper Tribunal and the courts.

**The Tribunal:** the First-tier Tribunal (Charity) is the first level of appeal against the decisions of the Charity Commission set out in Schedule 6 of the Charities Act.

**The Upper Tribunal:** The Upper Tribunal (Tax and Chancery Chamber) is the second level of appeal against decisions of the commission set out in Schedule 6 of the Charities Act.

## Annex A: Charities (Accounts and Reports) Regulations 2008

This part provides an extract from the Charities (Accounts and Reports) Regulations 2008 in relation to reporting on public benefit.

40.- (1) This regulation applies to an annual report prepared in accordance with section 45(1) of the 1993 Act by the charity trustees of a non-parent charity.

(2) The report on the activities of a charity during the year which is required to be contained in the annual report prepared under section 45 of the 1993 Act-

(a) must specify the financial year to which it relates;

(b) must-

(i) in the case of a charity which is not an auditable charity, be a brief summary setting out-

**(aa) the main activities undertaken by the charity to further its charitable purposes for the public benefit; and**

(bb) the main achievements of the charity during the year.

**(ii) in the case of a charity which is an auditable charity, be a review of the significant activities undertaken by the charity during the relevant financial year to further its charitable purposes for the public benefit or to generate resources to be used to further its purposes including-**

(aa) details of the aims and objectives which the charity trustees have set for the charity in that year, details of the strategies adopted and of significant activities undertaken, in order to achieve those aims and objectives;

(bb) details of the achievements of the charity during the year, measured by reference to the aims and objectives which have been set;

(cc) details of any significant contribution of volunteers to these activities;

(dd) details of the principal sources of income of the charity; and

(ee) a statement as to whether the charity trustees have given consideration to the major risks to which the charity is exposed and satisfied themselves that systems or procedures are established in order to manage those risks;

(c) must-

(i) where-

(aa) any fund of the charity was in deficit at the beginning of the relevant financial; and

(bb) the charity is one in respect of which a statement of accounts has been prepared under section 42(1) of the 1993 Act for that financial year,

contain particulars of the steps taken by the charity trustees to eliminate that deficit;

**(ii) contain a statement by the charity trustees as to whether they have complied with the duty in section 4 of the 2006 Act to have due regard to guidance published by the Commission; and**

(iii) be dated and be signed by one or more of the charity trustees, each of whom has been authorised to do so