

2021

What does a
good strategy
look like for
charities?



CHARITIES STRATEGY AND IMPACT REPORT



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1. Executive summary

With the global pandemic it has never been more important to have a clear strategy in place. Consistent and well-defined strategies contribute significantly to effective charitable operations. Effective strategy-setting makes it clear exactly what a charity is trying to achieve, and whether or not it has achieved it.

It helps demonstrate effectiveness to an external audience, and enables senior management and trustees to guide the future direction of the organisation. It is also integral in meeting statutory reporting and best-practice requirements expected by the regulators.

With this in mind, RSM has examined how charities in the UK are setting their strategies and reporting on progress over time. In an attempt to measure how charities measure themselves, we mapped the strategies, aims and objectives set by a diverse sample of 40 charities in both England & Wales and Scotland and traced their reported progress against these goals over a period of five years, which we consider makes this research unique. We also analysed financial data to assess the financial health of each charity.

Unlike other assessments that have looked at charity strategies, our research provides a comprehensive view of charitable reporting. We have considered both the overall strategic plans, but also its connection to each aim/factor as it is reported and tracked year after year.

Key findings

- No organisation can truly expect to fulfil its objectives without having a strategic plan in place. However, the time horizon of a plan can vary.
- Almost a quarter produced annual strategies that were either substantively or literally identical every year
- The largest charities were more likely to adopt longer-term strategic plans
- 15 per cent either abandoned, changed or completed their medium or long-term strategic plans before the conclusion of their intended timeframe

Aims contained within strategic plans can be categorised as either low or high-level

- 1 Low-level aims made up around 86 per cent of those set over five years
- 2 45 per cent of all charities set at least one high-level aim within the five-year period

Setting aims, whatever their ambition, is one thing. If they are not achieved, there is no reporting on progress made, or they are so vague as to be unmeasurable, then it can defeat the object.

- On average, one in four aims set over the five-year period was omitted from reporting in subsequent years
- Just over 50 per cent of aims were reported as achieved across all charities over the period
- Achievement was negatively impacted by the number of unmeasurable, or vague, aims initially outlined

Ultimately, any charity's ability to have an impact relies on its underlying financial health.

- Approximately a quarter of the sample had a potential financial risk factor that could impact their ability to develop strategy and achieve aims over time
- Only a few of these properly addressed this within their going concern disclosures

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The research shows that a consistent, practical and valuable approach to setting, monitoring and reporting on strategic objectives is not easy. There is no one size-fits-all methodology for charities that vary greatly by income and area of activity. However, the unmistakable conclusion is that without clear, measurable aims, both high and low level in terms of scope, a charity cannot hope to truly assess its effectiveness and impact.

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2. About the research

The effectiveness of charities is a hotly-debated subject. Measuring and demonstrating the real impact they have is a significant, but vital, challenge for many.

But it is only by setting well-defined strategic aims – constantly monitored, reviewed and reported – that organisations can properly assess how successful they've been.

With this in mind, we examined how charities in the UK are setting their strategies and reporting on progress over time. We measured how charities measure themselves, we looked at:

- 1 the types of objectives pursued across the sector
- 2 how accurately progress has been reported
- 3 how many of these goals are reported as achieved

We mapped the strategies, aims and objectives set by a diverse sample of 40 charities in both England & Wales and Scotland and traced their reported progress against these goals over a period of five years. We also analysed financial data to assess the financial health of each charity. We think that tracking strategic reporting in the charity sector over a defined time period makes this research unique.






Strategies and plans for the future were mostly found within trustees' annual reports. In some instances, they were outlined in distinct strategic documents.

The full range of sources included:

- strategic plans
- annual or periodic reviews
- formal impact reports
- annual reports
- online content, including any relevant press releases

The sample included charities with different income levels and areas of activity, that had outlined at least one aim at the onset of the five-year period that was deemed trackable, or measurable, in any form.

Charities we assessed

						
ANNUAL INCOME	Arts, leisure and nature	Education and training	General charitable purposes	Housing and financial support	Medical, health and sickness	TOTAL
BELOW £5M	2	3	2	3	2	12
£5M TO £25M	3	2	3	2	3	13
£25M +	3	3	3	3	3	15
TOTAL	8	8	8	8	8	40

Assessment metrics

Assessment was made across four key areas:



Strategy

Did the charity have an established strategy in place? What was its timeframe? Was it adjusted over that period?



Aims

What aims did the charities set? How can they be categorised in terms of measurability, ambition, timeframe, and focus?



Reporting

How many aims were being accurately tracked and reported? Were aims achieved? Was progress towards them wholly, partial or not at all?



Financial Health

Were there any indicators of poor financial health such as going concern disclosure, or issues around liquidity, reserves, or unrestricted funding, which could impact the ability to set and achieve the strategy?

3. The importance of setting effective strategies

Consistent and well-defined strategies contribute significantly to effective charitable operations. The way that charities compose their aims within these broader strategies are integral to achieving, measuring and clearly reporting their progress against these objectives.

This helps demonstrate effectiveness to an external audience, including beneficiaries, donors, funders and regulators and also enables senior management and trustees to guide the future direction of the organisation

Put simply, effective strategy-setting makes it clear exactly what a charity is trying to achieve, and whether or not it has achieved it.

Additionally, clear strategic planning and reporting enable charities to:

- Meet statutory reporting and best-practice requirements expected by the regulator
- Ensure transparency and inspire higher levels of trust and confidence in charities

Charities SORP requirements

The Charities Statement of Recommended Practice (SORP) says, in para 1.2, that the trustees' annual report should be "a coherent document that meets the requirements of law and regulation. It should provide a fair, balanced and understandable review of the charity's structure, legal purposes, objectives, activities, financial performance and financial position".

The SORP also makes it clear that a good report should:

- Explain what the charity is set up to do, how it is going about it, and what is being achieved
- Assist the user to make economic decisions in relation to the charity and to assess the charity's progress against its objectives and to understand its plans in relation to its purposes.

Charities SORP para 1.40

- Good reporting sets out how well the activities undertaken by the charity and any subsidiaries performed
- And the extent to which the achievements met the aims and objectives set by the charity
- Provide a balanced view of successes and failures along with the supporting evidence
- Demonstrate the extent of performance and achievement against the objectives set and the lessons learned



The report should provide a balanced picture of a charity's progress against its objectives. For example, it may explain progress by reference to the indicators, milestones and benchmarks the charity uses to assess the achievement of objectives

SORP para 1.42



Trust and confidence

Accurate and transparent reporting is central to trust in charities. Recent studies have repeatedly shown that trust in charities is declining across the UK.

A recent report entitled *The Construction of Trust*, by nfp Synergy and ACEVO stated that 'trust in charities is volatile'. Among the five major takeaways outlined in the report are two concepts central to effective strategic building and reporting:

1

Trust appears to be primarily based upon the perception that charities are 'ethical, honest and well-run.'

2

The most trusted organisations are the ones that 'provide clear, tangible services.'

These results suggest that the clarity and effectiveness of charities' strategic aims, as well as how achievements are presented to the public, are central to public trust in the sector.

Output, outcome and impact

When evaluating the work that they do, charities may use a results chain. The starting point is to consider inputs, which are financial, human, and material resources. Inputs are used in order to carry out activities. These are actions taken or work performed to achieve specific outputs. The outputs start to bring about change (outcomes) and eventually this will, hopefully, contribute to the impact.

The term impact is often used interchangeably with outcome or even output. The trend within the charitable sector to report specifically on impact has been gaining traction.

However, a study published by the Charity Finance Group in 2016 entitled *Impact Reporting in the UK Charity Sector* highlighted how few organisations were reporting on impact factors at the time. The report concluded that:



... good, tailored, performance reporting can help a charity to demonstrate the outcome and impact of its work and has a role to play in statutory reporting and in wider charity communications.



Our assessment aimed to track well-structured, defined and transparent strategic reporting for progress against goals. As this reporting can take many forms, some of the reporting we assessed did not meet the strict definition of impact reporting.

Many organisations continue to report based upon achieved outputs and outcomes, so we've considered any report based on the following definitions:

The assessment does not apply a judgement on these factors, but does consider any of the below definitions, if employed to report progress against intended objectives, to be sufficient if thoroughly addressed and presented to stakeholders and the wider public in a transparent manner.

Outputs: products, services or facilities that result from an organisation's or project's activities

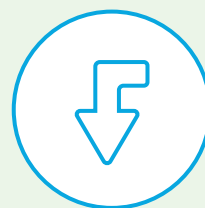
Outcomes: changes, benefits, learning or other effects that result from what the project or organisation makes, offers or provides

Impacts: the broader or longer-term effects of a project's or organisation's outputs, outcomes and activities on both individual beneficiaries and society

Para 1.43 of the SORP says that in reviewing achievements and performance, "charities may consider the difference they have made by reference to terms such as inputs, activities, outputs, outcomes and impacts, with impact viewed in terms of the long-term effect of a charity's activities on both individual beneficiaries and at a societal level."

While the SORP encourages charities to develop and use impact reporting, but it also acknowledges that there may be major measurement problems associated with this in many situations.

THE THEORY OF CHANGE (IN THE CONTEXT OF THE COVID-19 VACCINATION PROGRAMME)



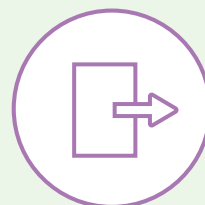
INPUTS/ RESOURCES

The key tangible and intangible things that enable a charity to perform its tasks eg. the idea to develop a global COVID-19 vaccine programme.



ACTIVITIES

Specific programmes and tasks eg. establishing centres to deliver two billion vaccines.



OUTPUTS

Tangible and intangible products and services that are delivered as a result of the charity's activities eg. number of COVID-19 vaccine doses delivered to healthcare workers, teachers or vulnerable people.



OUTCOMES

The specific change in behaviours and people affected by the delivery of services and products eg. educating more people to have confidence in the vaccine.



IMPACT

The benefits to society as a result of outcomes eg. bringing an end to the COVID-19 pandemic.

4. Our findings

4.1 Strategic plans

Key findings

- Almost a quarter produced annual strategies that were either substantively or literally identical every year
- The largest charities were more likely to adopt longer-term strategic plans
- The middle-income tier saw the greatest percentage of medium-term strategies
- Those in the smaller income segment produced shorter-term aims and objectives
- 15 per cent either abandoned, changed or completed their medium or long-term strategic plans before the conclusion of their intended timeframe

No organisation can truly expect to fulfil its objectives without having a strategic plan in place. However, the time horizon of a plan can vary.

On average, the charities we assessed set strategic plans lasting just over three years. Most operated short-term (annual or two-year) plans at some point over the course of the five years examined. But almost as many established medium-term plans (three to five years). Longer term plans, often in the range of seven to 10 years, were the least adopted.

40 per cent of charities formally introduced new strategies within the five-year period. In some cases, these were of a length consistent with the one completed, ie a five-year strategy ended and a new five-year one began. 15 per cent of charities introduced new strategies during the period

before the previous plan was due to expire. In one instance, this was the result of a five-year plan being successfully completed within three years.

Consistency

Many strategic objectives remained consistent over time. However, following the global pandemic, many charities may now be considering how adaptable they are and how consistent they will be moving forward. 13 per cent of the charities we examined listed identical aims in each of their annual, short-term plans. A further 10 per cent repeated aims that were identical, only slightly rephrased. When grouped together, almost a quarter of the charities we assessed produced annual strategies that were essentially stagnant over the five-year period.

The charity that achieved its five-year plan in three years set a flexible and considered plan:

'Over the five years of our strategy we'll use our new goals as a prism for making decisions about what new work we do and what existing work we stop. This means we need to carefully consider what we can afford within the current financial climate, and in how many places we should be delivering targeted services and generating evidence in order to meet our goals. We have learnt that impact is more likely to be secured where a service centre is resourced sufficiently to develop and take advantage of building, and then making the most of, relationships with our partners, to the benefit of children and families locally and beyond.'

Three reporting years later, the charity stated:

'In 2016, we set ourselves an ambition... We're proud to report that we have reached this ambition in just three years. This section of our report looks at how we reached each of our five goals over the last year.'

Strategic plans by income and area of activity

The length of strategies varied by both the income size and the nature of the charity's primary activity. Overall, the largest charities were more likely to adopt long-term strategic plans. We found less of a correlation between areas of activity and the length of strategies.

Particular areas of activity may lend themselves better to longer-term strategic aims, while others may be better

suited to flexibility. For example, charities that operate within education and training may find the length of their strategic plans are affected considerably by revenue streams and existing funds. However, the distribution suggests a relative balance amongst the primary areas of operation.

Findings:

Length of strategies by income size:



Findings by activity:

AREA OF ACTIVITY	SHORT	MEDIUM	LONG
Arts, leisure and nature	30%	50%	20%
Education and training	88%	12%	-
General purpose	27%	55%	18%
Housing and financial support	36%	45%	19%
Medical, health and sickness	40%	30%	30%

4.2 Aims

Key findings

- Over 600 distinct aims were set across the five-year period – an average of just over 15 unique aims each for this timeframe
- The largest charities by income set a higher number of ambitious, high-level aims
- Low-level aims made up around 86 per cent of those set over five-years
- 45 per cent of all charities set at least one high-level aim within the five-year period

The number of aims set per year varied greatly across organisations, with many charities operating on medium or long-term strategies where consistent aims were carried over year-to-year. But this longer-term approach to goal-setting and strategic direction did not prevent these charities from occasionally introducing additional, usually short-term, objectives into their broader plans.



Big hairy audacious goal

A big hairy audacious goal, or BHAG (pronounced bee hag), is defined as a clear and compelling target for an organisation to strive for.

An example of a BHAG

The term was coined in the 1994 book *Built to Last: Successful Habits of Visionary Companies* by Jim Collins and Jerry Porras. A BHAG is a long-term goal that everyone can understand and rally behind. BHAGs are meant to excite and energise people in a way that quarterly targets and lengthy mission statements often fail to.

The most powerful example is President Kennedy's 1961 declaration that "this nation should commit itself to achieving the goal, before this decade is out, of landing a man on the moon and returning him safely to earth," which led to the historic moon landing in 1969.

Collins has since developed the concept of a BHAG. Because they are supposed to pull people out of short-term thinking, the time frame for a BHAG is supposed to be at least ten years, if not more. The BHAG should have a reasonable chance of being achieved, be action-oriented and exciting, and pull a team together. By thinking big, it should push people to achieve something that wouldn't have been possible without the shared commitment.

In the commercial sector BHAGs have a proven record of motivating businesses to achieve success. In the charity sector, having a BHAG has been cited as a way of driving charities to take risks, and energise fundraising. A high-profile example is NSPCC's goal to end cruelty to children in the UK and its subsequent Full Stop campaign in the late 1990s. By 2009 it had raised £250m as well as significantly raising awareness of child abuse. An early example of a charity explicitly stating a BHAG was SolarAid. In 2014 it stated its ambition to eradicate the kerosene lamp from Africa by the end of the decade. Having this near-impossible goal helped the charity to double its income in the following year. The idea is that by taking a step out of their risk-averse comfort zones, charities can achieve their objectives more quickly and efficiently.

High and low-level aims

Categorising aims as either high-level or low-level reflects their scope and ambition and relates directly to the feasibility of the objective. A high-level aim is one in which the charity's vision and broad public benefit was essentially the desired outcome. Low-level aims furthered a targeted purpose, or component, within the greater whole.

Definition of aims:

High-level aims are characterised by their broad scope and ambition. They often reflect a charity's founding vision and their core public benefit.

Low-level aims are targeted and less ambitious or challenging. They are often project-specific and contribute towards the charity's purpose in less expansive, but direct ways.

High-level aim

"Having enough money is a concern for people anywhere in the world. In the UK there are still 1.6 million pensioners living in poverty and of these 900,000 are in severe poverty. Globally, only a fifth of the population have a pension. Around 340 million older people are living without any secure income."

Aim: "We want to see a world where everyone in later life has enough money."

Low-level aim

"Our active ageing programmes focus on improving older people's mental and physical wellbeing, with the aim of increasing the time people remain healthy and delaying the need for more intensive health and social care services."

Aim: "Through our partners, promote and enable over 3,700 older people to access active age activities."

High-level aims made up around 14 per cent of all aims examined. The number of charities choosing to set high-level aims, however, was much higher than the total number of the aims suggest. With nearly half of all charities setting at least one high-level aim within the five-year period. Those that set high-level aims did so at an average ratio of approximately one for every three aims set over five years. This suggests almost half of the charities examined were looking to balance targeted, strategic aims with their broader visions for the charity.

There were 14 organisations that set both high-level and low-level objectives over the period. But there was not a connection between those who set high-level aims and those with a higher-than-average achievement rate. In short, more ambitious aims were not necessarily less measurable or achievable.

Scope of aims by income and area of activity

There was a correlation between the number of aims and average aims per year based upon income size. This was also evident in the number of high-level aims that were set. The largest organisations by income size had a percentage of high-level aims nearly four times greater than the smaller income charities.

Medical, health and sickness charities were far more likely to set aims that were broad in scope and related directly to their charitable vision. The percentage of their aims that were high-level were nearly a quarter of all those set within their activity segment. These objectives are also overwhelmingly measurable, which indicates an ability in this area to connect ambitious aims to demonstrable outputs, outcomes and impacts.

The only segment in the sample to set no high-level aims throughout the period were those operating in education and training. Most aims in this sector were measurable, and lower-level in scope.

4.3 Achievement, omissions, measurability, reporting

Key findings

- 13 per cent of charities recorded a 100 per cent achievement rate against their aims across the full assessment period
- On average, one in four aims set over the five-year period was omitted from reporting in subsequent years
- More than 70 per cent of charities provided a full reporting of at least one aim in every year reviewed – in most cases, these aims were also achieved
- Just over 50 per cent of aims were reported as achieved across all charities over the period
- Achievement was negatively impacted by the number of unmeasurable, or vague, aims initially outlined
- Almost 60 per cent of charities set at least one aim that was deemed unmeasurable
- 88 per cent of charities set internal aims over the course of the five-year assessment – but these were omitted from later reporting at a very high rate

Setting aims, whatever their ambition, is one thing. If they are not achieved, there is no reporting on progress made in doing so, or they are so vague as to be unmeasurable, then it can defeat the object. Not all aims will necessarily be achieved, but being transparent about how you are doing is important.

Achievement

Approaches to establishing objectives varied considerably by organisation. Some charities in the largest income tier outlined a significant number of 'steps' under the umbrella of a single strategic objective, and others chose to separate these goals individually.

Regardless of the approach, there was no correlation between the number of aims set and the reported achievement rate over time. Indeed, the charity with the largest number of distinct aims over the period (89) also reported one of the highest achievement rates.

The median achievement rate was approximately 54 per cent across the sample. This number was negatively impacted by the number of unmeasurable or vague aims established, which limited organisations' ability to demonstrate success.

13 per cent of charities recorded a perfect achievement rate against their aims across the period. In all but one case, these charities were operating within a medium or long-term strategic plan at some point throughout the five years. They also published distinct strategy documents in addition to summarising objectives and results within their annual reports.

The lowest rate recorded was zero, in the case of a charity that abandoned its long-term plan early in the period. It then experienced an extended delay in producing a revised and updated strategy.

Omissions

On average, one in four aims set over the five-year period was omitted from reporting in the succeeding years. This is based upon the total number of aims set, some of which were repeatedly stated across multiple years and consistently omitted in subsequent reporting.

Of the 40 charities, 31 omitted at least one aim from subsequent reporting. The remaining nine organisations consistently tracked and openly reported every aim they set over the period. Eight of them had established medium and long-term plans and most published distinct strategy documents in addition to summarising objectives and results within their annual reports.

Charities will need to change their strategy periodically, to account for major events such as a global pandemic. However, they should not omit reporting on previous aims, they need to give reasons why it's no longer an aim.

A high percentage of charities with omitted results set vague and unmeasurable aims.

A notable characteristic of the under-reported and omitted aims was organisational direction. Almost every charity (88 per cent, 35 charities) set internal aims, but 26 of them omitted them from their reporting in subsequent years. This means almost a third of charities chose to focus on showing progress against external objectives despite acknowledging the need for internal goals within their broader strategic initiatives.

Measurability

No charity was included in the sample unless it had established at least one measurable aim that could be tracked and reported over time. We considered the range of activities and objectives that charities undertake and if an aim's progress and achievement was demonstrable, it was considered measurable.

With this definition, the number of measurable aims set over five years was high. Over 80 per cent of set aims could be reasonably reported back in later years, in some form.

Although most aims were measurable, 58 per cent of charities set at least one aim within the five-year period that was deemed unmeasurable and were unable to demonstrate progress or achievement on this aim over time. These aims lacked the characteristics that could show progress or achievement, namely:

- specificity
- focus
- performance indicators
- metrics
- definitive or tangible evidence

As a result, over half of the charities assessed did not have the potential to reach a 100 per cent achievement rate against their reported objectives.

Reporting

We categorised the reporting of progress against set aims into three divisions:



Three charities failed to register any fully reported aims, although these organisations did partially report back on a proportion of their objectives.

Eleven charities (28 per cent) failed to fully report back on at least one aim in each year examined. This means the majority of charities fully reporting at least one aim in every year reviewed. A full reporting of the aim does not necessarily constitute an aim being achieved, but it was in most cases.

Achievement and omissions by income and area of activity

Mid-tier income charities demonstrated the highest achievement rating and the lowest rate of omissions. They set a reasonably low percentage of high-level aims and provided fully reported results for just over half of the aims that were set.

The lower income group showed the highest proportion of measurable or demonstrable aims, but they had the lowest achievement rate and highest rate of omissions. The smaller income charities also set the lowest number of high-level aims.

Medical, health and sickness charities had the highest rate of successfully fully reported objectives, alongside those operating in art, leisure and nature. On average, they had 11 per cent higher rates of reported achievements of their aims than the overall sample.

Education and training charities had the lowest achievement rate against their aims despite setting almost entirely lower-level and measurable objectives. Their omission rate was also the highest, which is likely to have drastically impacted their achievement rating. Housing and financial support charities also showed a fairly high omission rate, and less than half of the objectives in this sector were fully reported.

4.4 Financial health

Key findings

- Approximately a quarter of the sample had a potential financial risk factor that could impact their ability to develop strategy and achieve aims over time
- Only a few of these properly addressed this within their going concern disclosures

Ultimately, any charity's ability to have an impact relies on its underlying financial health. And a key element in the development of effective strategic plans is having the resources in place to potentially achieve set objectives.

Our research looked at reporting relating to going concern disclosures for each charity in the sample over the five years. This was to determine any potential links towards the strategies pursued and the financial viability of the organisation.

Going concern

From financial periods commencing 1 January 2015, the SORP requires trustees to include notes of a clear disclosure of any uncertainties or state whether none are present.



All charities must explain if there are material uncertainties related to events or conditions that cast significant doubt on the charity's ability to continue as a going concern.



Every charity within the assessment defined themselves as a going concern, and seven charities were late to adopt this disclosure. All but one charity was producing regular statements of going concern in their annual reports and accounts by 2017.

Disclosures varied in level of detail and quality. The location of the statements also varied, although post-2016 many could be found in the trustees' annual report or referenced within it, and further stated in the notes to the financial statements.

Unrestricted funds

Flexibility of strategy is most likely to be achievable where there is a high proportion of unrestricted funds. It may be expected that larger income charities, with a greater percentage of unrestricted funds, would form longer-term strategies. But this is not always the case.

Four charities were identified as having a potential risk factor relating to unrestricted fund levels. These organisations are therefore more likely to adopt short-term strategies enabling them to adjust resources as required.

Income and total funds

Another constraint on strategy occurs in cases where the charity must keep its primary focus on revenue generation due to annual income far exceeding total reserves. During the pandemic, many charities have had to use their reserves more than ever before due to a lack of funds. It will be interesting to see how they will adapt the strategy moving forward to account for an unprecedented period.

15 per cent of charities had income over four times the funds held at year end, which may lead to a dependency on generating sufficient income annually to avoid relying upon the funds held. Only one of these charities was found to have an adequate going concern disclosure.

But one of these charities had a misleading focus on the level of free reserves and others chose to omit mention of any material uncertainties. The charity with the misleading disclosure also had a high percentage of omitted reported aims over the past three years.

Reserves deficits

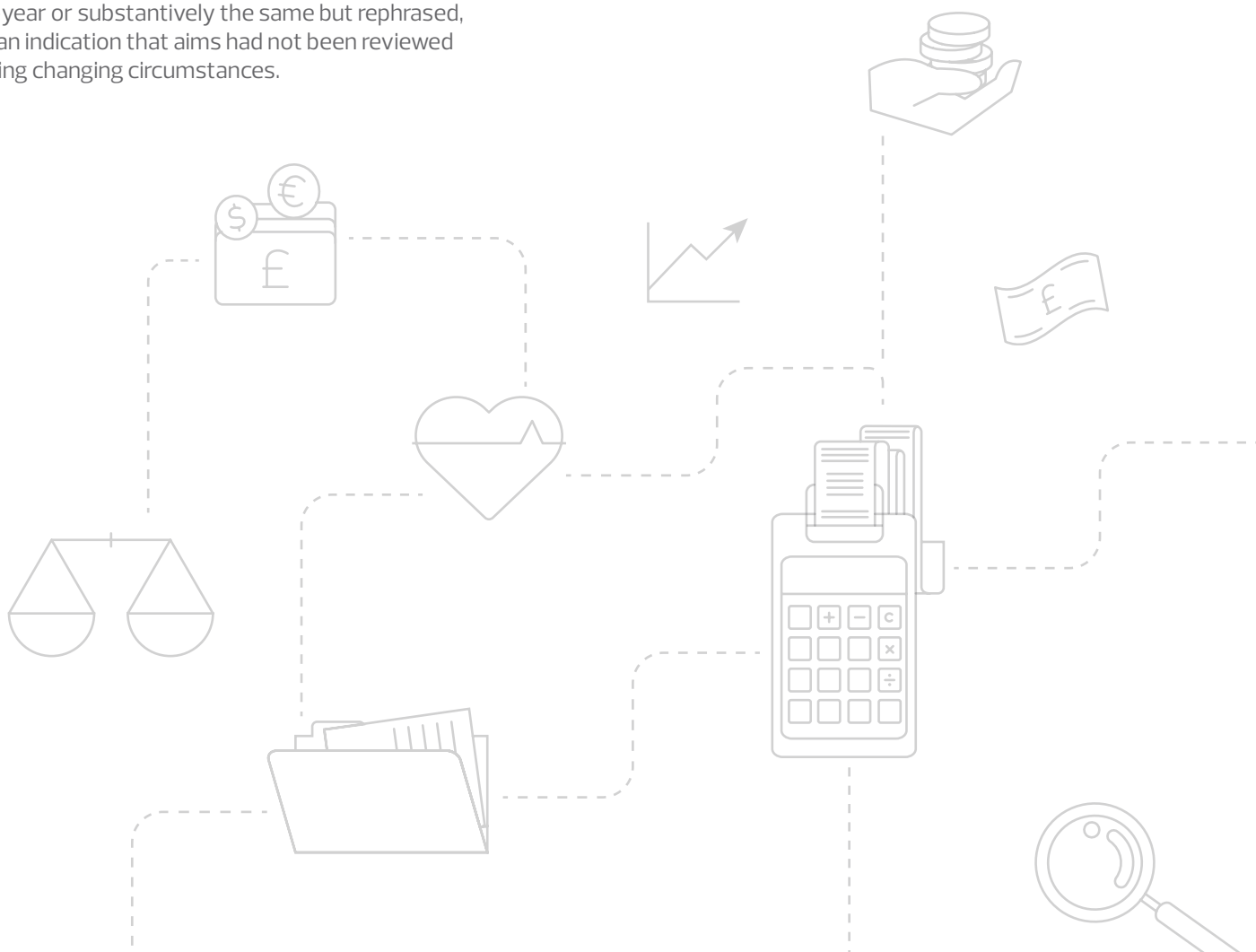
Only two charities had funds in deficit and neither had investments to rely upon. Both acknowledged some detail within their disclosures, but one fell short of addressing all issues.

Both charities outlined only annual aims each year, although they both showed a high percentage of new aims each year, which remained primarily external in focus.

Liquidity issues

Four charities were flagged for potential liquidity issues. Only one had an adequate going concern disclosure addressing these issues and their capacity to address them. All four were in the highest income segment and two had significant investments in the form of unrestricted funds.

In the two cases where disclosures fell short of detailing all potential issues, strategies had not been adjusted over the period. Both organisations had aims categorised as identical year-to-year or substantively the same but rephrased, which is an indication that aims had not been reviewed considering changing circumstances.



5. Conclusion

Our research shows that a consistent, practical and valuable approach to setting, monitoring and reporting on strategic objectives is not easy. There is no one size-fits-all methodology for charities that vary greatly by income and area of activity.

Even within broad income or activity segments there is huge variation of approach and ambition. But the findings do, hopefully, reveal some of the things that charities do well and not so well.

Without clear, measurable aims, both high and low level in terms of scope, a charity cannot hope to truly assess its effectiveness and impact. Strategic plans and aims are never set in stone, and should be fluid and able to evolve.

What seems practical or achievable when a five-year plan is formulated, for example, may be affected due to external circumstances, including changes in funding. Some shorter-term aims may have been met, or new priorities emerge. A long-term strategic vision helps set the direction of travel, but the best road taken to reach it may be different at certain points in time. But the important thing is to clearly report on which aims have been fulfilled, or reconsidered, and why.

- Have you considered the time horizon of your strategic plan?
- Do you regularly assess progress against the plan?
- Are you just repeating strategic objectives year on year?
- Do you introduce new objectives into longer-term plans to reflect changing circumstances?
- Do you balance aims between high and low level?
- When setting aims do you assess whether they are measurable?
- Have you fully reported aims set in previous years?

- Where do you report upon strategic aims and achievement?
- Who are you trying to communicate this information to?
- Does your going concern disclosure accurately reflect the financial health of your charity?
- Have you considered your reserves levels, and unrestricted funding position?
- Are current levels of income sustainable?

Assessing and reporting upon objectives is crucial to a well-managed organisation. And having robust financial controls and reporting in place, and being honest about financial risks, underpins an organisation's ability to fulfil its strategic goals.



6. Self-assessment checklist

STRATEGIC PLANS	✓	ACHIEVEMENT, OMISSIONS, MEASURABILITY AND REPORTING	✓
Does the charity have a defined, over-arching strategic plan?		Do you regularly assess progress against the plan?	
Have you considered the time horizon of your strategic plan?		Has the aim been structured based upon measurable metrics?	
Is the strategy directly aligned to the charity's stated purpose and public benefit?		Have you fully reported aims set in previous years?	
Do you introduce new objectives into longer-term plans to reflect changing circumstances?		Where do you report upon strategic aims and achievement?	
Do you avoid repeating strategic objectives year on year? (without appropriate challenge)		Are you clear on who you are trying to communicate this information to?	
Has the strategy been communicated and understood at all levels of the organisation and with external stakeholders?			
AIMS	✓	FINANCIAL HEALTH	✓
Has the aim been derived by first establishing an area of significant need?		Is the cost of the strategy quantified and are the trustees satisfied with this?	
Is the desired impact, outcome or output of the aim clear?		Does your going concern disclosure accurately reflect the financial health of your charity?	
Has the aim been assessed against those of similar organisations?		Have you considered your reserves levels, and unrestricted funding position?	
Do you balance aims between high and low level?		Are current levels of income sustainable?	
When setting aims do you assess whether they are measurable?		Have other risk factors, including any potential external hurdles been considered?	



7. Benchmarking: at a glance

7.1 By income

Annual income below £5m

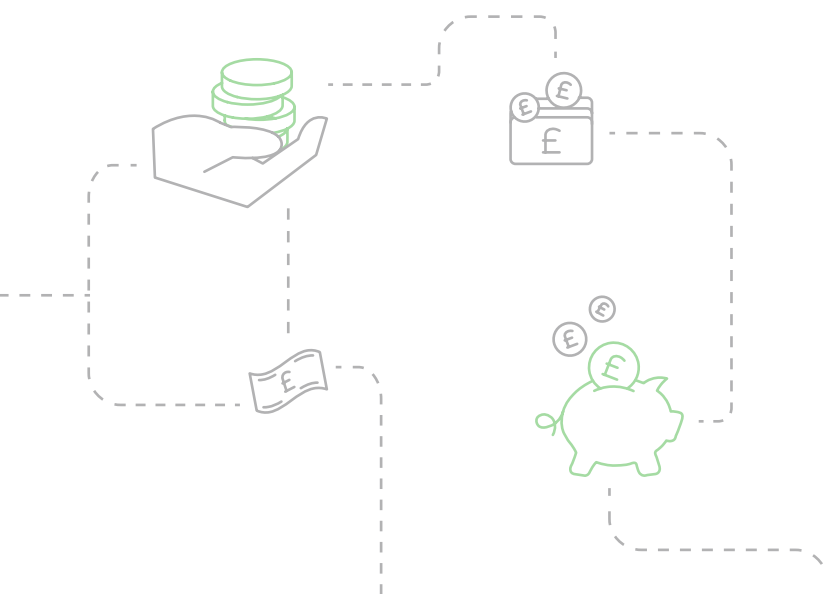
- Charities with an annual income of £5m or less are setting approximately five strategic aims per year.
- These are largely consistent each year, with broader strategic plans being outlined on a short-term (mostly annual) basis.
- These aims are mostly measurable and balanced between external and internal focus.
- The number of high-level aims set by these charities are very low comparatively to their larger peers, which suggests a targeted and narrowed focus to strategic planning, in line with their operational size.
- Despite a manageable number of demonstratable aims set per year, this income segment has a high rate of omissions in their reporting of achievements.
- As a result, the percentage of aims set that have been reported as achieved over the period is below 50 per cent.

Annual income £5m – £25m

- Charities in the mid-income tier established medium term strategies at some point in the last five years, with about six to seven individual aims per year.
- Most charities in this segment regularly balanced internal and external objectives within their strategies.
- Roughly one in ten aims set over the period were considered high-level, or broader-scoped initiatives, which may be harder to achieve.
- A quarter of all aim's progress was unreported, perhaps in alignment with the trend of omitting demonstratable results for many internally focused goals.

Annual income over £25m

- The largest charities in the assessment by income were more likely to set long-term strategies.
- These strategies also included more aims on average per year than their smaller counterparts, averaging approximately seven per year.
- High-level aims account for approximately one in five set within the segment, which indicates the scope of these plans are in alignment with the size of the organisations.
- Comprehensive reporting on achievements was still weak, with roughly a quarter of all aims omitted and just over 50 per cent clearly reported as achieved.



7.2 By area of activity

Art, leisure and nature

- Charities operating in art, leisure and nature set a relative high number of aims annually, averaging roughly seven each year.
- There is a lower-level of omissions in reported aims comparatively within this area of activity and a relatively high number of aims are reported as achieved.

Education and training

- Charities involved in education and training set between five to six aims per year, on average.
- The majority of these are measurable, but many are not fully reported.
- Over half of the aims defined in within this activity area have been omitted from subsequent reporting. This unfortunate result may be connected to under-reported progress of internal aims.

General purpose

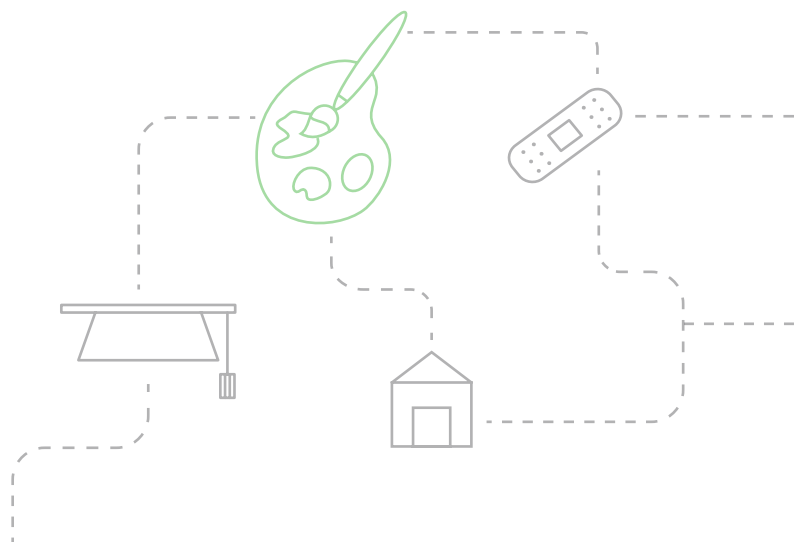
- Charities operating in general charitable purposes set a relatively higher number of aims than those operating in other, specific segments.
- Nearly a fifth of all aims for this activity group are high-level.
- Three quarters of objectives set in the segment were deemed to be measurable, with less than a quarter omitted in subsequent reporting.

Housing and financial support

- Charities providing housing and other financial support services set an average of six aims per year.
- Every charity in this segment examined set at least one internal aim in each year.
- Over 80 per cent of aims were measurable, though over 30 per cent were not reported in subsequent years.

Medical, health and sickness

- Charities operating in the area of medical, health and sickness had fewer, but more measurable aims each year than their peers in other activity areas.
- Averaging five aims per year, these charities had the lowest rate of omissions of all activity areas, at roughly one in ten being left behind over the course of the assessment.
- The percentage of high-level aims is much higher than in other areas.





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