

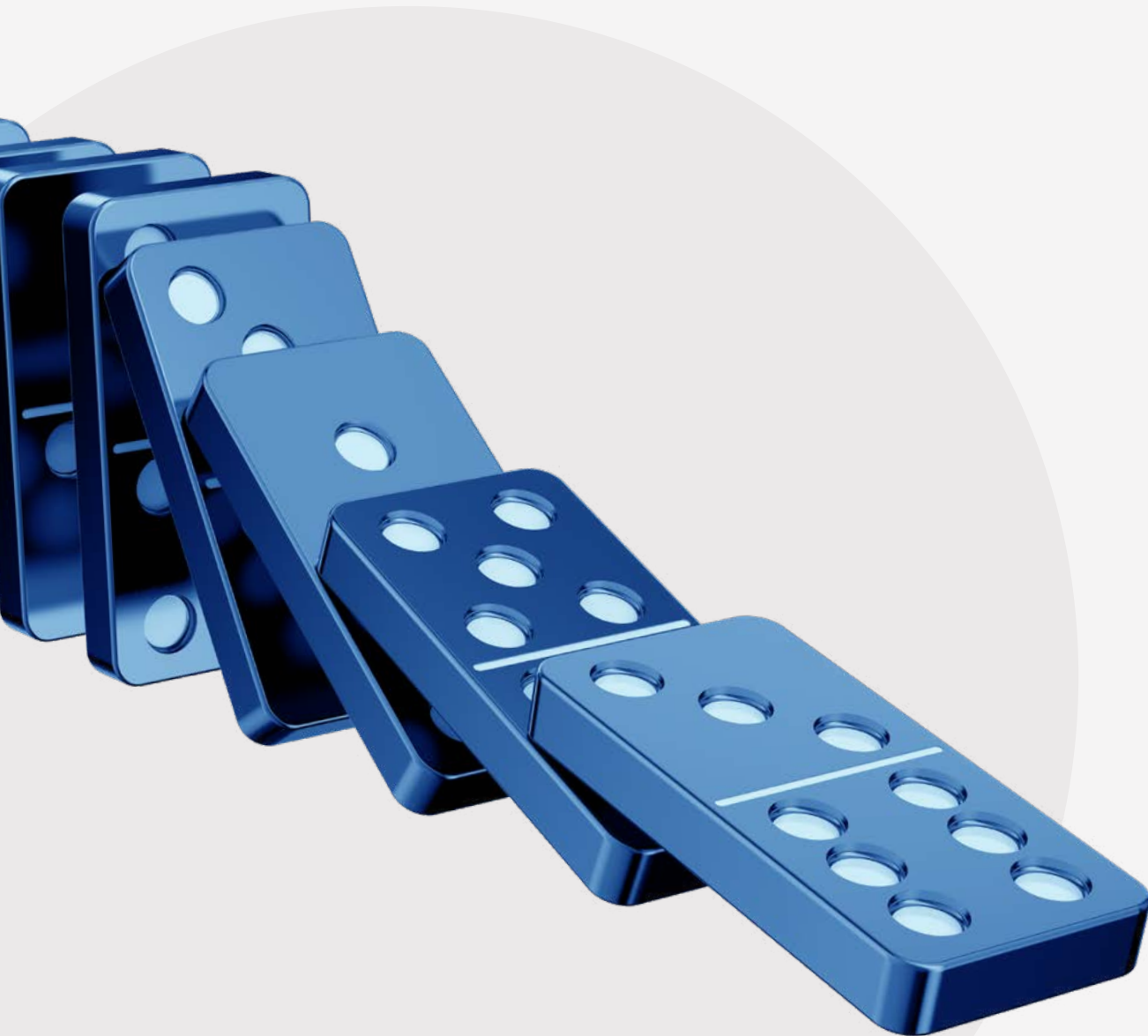
Charity Impact Reporting: Informing the Forthcoming SORP

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Contents

Foreword	4
Acknowledgements	6
Executive Summary	8
1. Introduction and Context	10
2. Background and Literature Review	12
2.1. Defining Impact	12
2.2. Motivations, Limitations and Approaches	13
2.3. Prior Literature	17
2.4. Impact Reporting in Accounting Standards Internationally	18
3. Research Approach	20
3.1. Survey	20
3.2. Interviews	22
4. Results	24
4.1. Defining 'Impact'	24
4.2. Impact Measurement	26
4.3. Impact Reporting	37
4.4. Impact Practice Guidance	43
5. Phase One Recommendations	46
5.1. Charity Level Recommendations	46
5.2. Sector Level Recommendations	48
5.3. Funder Level Recommendations	49
5.4. Sector Supporter Level Recommendations	49
6. Next Steps – Phase Two Objectives	49
References	50
Appendix: Comparison of International Promulgations on Impact Reporting	54
About the authors	57

Foreword

A greater emphasis than ever before is being placed on the quality of financial reporting. There is a growing recognition that the combination of an annual directors' or trustees' report and financial statements should tell an entity's story: a story which goes beyond its financial performance and the strength of its balance sheet. This is arguably even more important in reporting by charities, where the continued support of, and accountability to, both funders and donors is dependent on the clear communication of how charitable activities are affecting the beneficiaries and causes they are designed to help.

This focus on qualitative reporting can be seen in the evolution of front-end reporting requirements for companies over the last 15 years or so and the greater consideration being given to who an entity's stakeholders are and how their information needs differ. Changes in corporate reporting have largely been driven by regulation rather than standards. This too is changing with the creation of the International Sustainability Standards Board and the development of stakeholder-focused sustainability standards.

As the drive for improved qualitative reporting extends to charities, the focus is on the standards that will drive that change. The charity sector is no stranger to a standards-based approach to reporting. Historically, charities preparing financial statements which provide a true and fair view have applied not only regulations but also the Charities Statement of Recommended Practice (SORP) trustees' annual report (TAR) requirements. Charity financial statements are not just about earnings per share; the TAR is needed to tell the story of the charity in a way that the financial statements alone cannot. The current edition of the SORP falls short of requiring impact reporting within the TAR. However, it does require charities to set out their achievements and performance.

As attention moves to sustainability, climate change, responsible business and stakeholder-focused reporting, the charity sector has the opportunity to take the lead on the social aspects of sustainability. Supplementing the TAR requirements, there is scope for charities to develop impact measures and to report publicly on the difference they have made to the lives of their beneficiaries and wider society. Understanding what does and doesn't deliver impact for beneficiaries can help charities become more effective. Additionally, as sustainability reporting becomes common place, charities will need to develop a range of measures on both climate change and the social aspects of their work to meet the information needs of funders and donors.

Foreword

This report from Alpa Dhanani, Evangelia Varoutsas and Penny Chaidali from Cardiff University, and Carolyn Cordery from Victoria University of Wellington, is set against this background. It is the first output of a two-part project commissioned by ICAS that aims to identify and explore current impact reporting practices by UK charities. The objective is to understand the motives, processes, barriers and benefits of developing impact reporting, and ultimately to assess whether impact reporting communicates charities' achievements appropriately.

This first phase report analyses how charities develop and use social impact measures and impact reporting. Phase two, to follow in 2023, will seek to improve understanding of the current social impact disclosures within charities' TARs and separately published impact reports, and consider how funders and donors use reports to satisfy their accountability requirements and make future funding decisions.

James Baird
Chair of the Research Panel
December 2022



Acknowledgements

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Executive summary

The charity sector in the United Kingdom (UK) is woven into the fabric of society and its success is reflected in the growth, richness and creativity of the charities that contribute in a myriad of ways to the welfare of society and the planet, both locally and internationally. The need for charities to account for their activities has been articulated extensively. Impact, defined as the longer-term, more sustainable difference that charity interventions and programmes make to the lives of individuals and to society, is a critical mechanism of this accountability. When combined with other elements of narrative reporting and financial reporting, it enhances public trust and confidence in the sector.

Prior studies have shown that charities may struggle with impact practice – that is the measurement and reporting of impact. However, as the environment in which charities operate becomes increasingly intensive with extensive demands on their services on the one hand and heightened competition for resources and support on the other, impact practice is increasingly pertinent for the sector.

In 2021, in its role to serve the public interest, the Institute of Chartered Accountants of Scotland (ICAS) commissioned a two-phase research project into impact reporting to provide evidence and recommendations to the Charities Statement of Recommended Practice (SORP) Committee. There is considerable scope for the Charities SORP to enhance its requirements and guidance around charities' performance in the trustees' annual reports, and to develop and nurture charities' efforts to embed impact reporting to effectively convey their impact on the lives of the service-users, and society more generally.

This report presents the results of Phase One of the project which sought to gain an in-depth understanding of charities' current (internal) impact measurement practices, and how this practice is being translated into (external) impact reporting. Breadth was gained through a sector-wide online survey seeking views from UK charities that measure and/or report on their impact and those that refrain from such activity. Further depth was achieved from more detailed semi-structured interviews with 20 UK-based organisations¹.

Key results of Phase One are that:

- Charities have different ideas about what impact is. Some charities are able to measure impact based on outcomes, while others may recognise impact on the basis of relieving immediate needs only.
- Those engaged in impact practice described it as a journey. Some are quite mature in their approach to reporting impact while others are earlier in the journey. This may be related to size as smaller charities may have fewer resources to measure their impact.

¹ Phase Two of the project, focusing on charities' reporting practices and funder views of impact practice will be completed in the first quarter of 2023. ICAS will subsequently seek to influence the next iteration of the SORP which is expected to come into effect no earlier than reporting periods commencing on or after January 2025.

Executive summary

- While charities appear to have been motivated to engage in impact practice to appease funders and to guide internal practice, the actual benefits of impact practice are oriented more towards the latter – enabling charities to enhance their service provision for beneficiary communities.
- Charities use a ‘pot pourri’ of frameworks to measure impact, including the Theory of Change² and logframes³. They are also particularly concerned about the importance of effective measurement but those engaged in impact practice note a key challenge is the difficulty of capturing suitable impact data. Primary constraints for charities not engaged in impact practice appear to be resource-driven – time and associated costs of impact practice.
- A significant proportion of charities welcome sector-wide guidance on impact practice – this may include greater awareness of existing resources as well as seeking new resources. However, they are less keen on a reporting standard or a kite-mark type certification system that recognises individual organisations' impact journey. Charities not engaged in impact practice are less supportive across all such interventions.

We make recommendations at a charity, sector, funder⁴, and sector supporter level.

Charities should:

- See beyond the hurdles (such as cost in time and resources) to recognise how valuable impact practice is both for charities' ability to shape internal decisions and for their external credibility. Hence, charities should develop impact practices to benefit the organisation.
- Recognise how different charitable activities influence impact, and in developing impact practice, recognise their unique context to tell their own story.
- Embed impact practice within the organisational culture from the board level down to the operational staff and volunteers.
- Differentiate between feedback and impact, even though data for both may be gathered simultaneously.
- Align communication channels and format to audience types and frequency with the nature of activities.
- Enhance stakeholders' confidence through balanced reporting that presents a candid picture of the organisation's position with a meaningful mix of performance measures and/or descriptions.

² A strategic tool that enables charities to reflect on how their activities will lead to the outcomes and impacts intended, recognising the chain of short, medium and long-term outcomes that need to occur at each level for the main aim to be achieved. Incorporates myriad approaches, from high-level changes brought about by interventions to cause-and-effect models.

³ A planning tool identifying the logical links between each programme level including inputs, outputs, outcomes and the overall goal. It also identifies direct or indirect performance measures at each step, to report against the goal.

⁴ The term funder as used in the report is to be distinguished from a donor as a large and professionally-oriented fund provider. Within this category, there are multiple forms of fund providers including foundations, philanthropists, and public sector commissioners.

Executive summary

At sector level, we recommend:

- Sub-sector collaborations to foster impact practice, including sharing experiences and co-creating suitable metrics.
- Widening the accessibility of the SORP and its raising awareness to non-accountants, including, trustees, in relation to impact practice.
- Preparing trustee boards for impact reporting – showcasing the value of impact practice and the approaches to engage in it.

At funder level, we recommend:

- Funders and charities should work together to ensure metrics demanded and delivered work to the mutual advantage for charities and funders.
- Funding impact practice and connecting charities with appropriate expertise to enable the sector to further develop in this area.

For sector supporters, we recommend:

- Encouraging impact specialists to engage with charities, especially through pro-bono programmes.



1. Introduction and Context

The charity sector in the United Kingdom (UK) is woven into the fabric of society and its activities contribute significantly and in a myriad of ways to the welfare of society and the planet, both locally and internationally. There are 166,000+ registered charities in the UK (excluding organisations such as churches and public schools) with an estimated annual turnover of £48 billion, a staff base of over 850,000 (National Council for Voluntary Organisations (NCVO), 2020), and additional voluntary input from supporters and trustees who help to run and govern, respectively, the organisations. Diversity of the sector is represented not only in the different areas of activities that charities are engaged in but also in their size and formality. On the one hand, a relatively small number of large charities comprise a significant proportion of the sector's income and on the other, a large number of micro-organisations collectively also make a significant contribution to society.

While the success of the sector is reflected in its growth, richness and creativity, the need for charities to account for their activities has been articulated extensively in the practitioner and academic literatures (Dhanani and Connolly, 2012; Connolly *et al.*, 2013; Crawford *et al.*, 2018). Within this context, demonstrating social impact, that is, capturing and reporting on the longer-term, more sustainable difference that charity interventions and programmes make on the lives of individuals and to society, more generally, serves as a critical mechanism of accountability. Scholars and practitioners add that just as impact practice is valuable to account to external audiences, it also has a unique role internally, to shape organisational decision-making (Agyemang *et al.*, 2017).

As the environment in which charities operate becomes increasingly intensive, with extensive demands on their services on the one hand and heightened competition for resources and support on the other, impact practice will only become more pertinent for the sector. Indeed, funders are increasingly keen to learn about the impact of their funding on the lives of beneficiary communities. Further, effort to record and report social impact has increased both within the sector (New Philanthropy Capital (NPC), 2012) and outside of it, for example, amongst social enterprises (Liston-Heyes and Liu, 2021). Moreover, the UK charity regulators, namely the Charity Commission for England and Wales (CCEW), Office of Scottish Charity Regulator (OSCR) and Charity Commission for Northern Ireland (CCNI) recognise the value of impact and seek to encourage charities to develop and use impact reporting - formally through the Charities Statement of Recommended Practice (SORP) that registered charities must comply with, and more informally such as at conferences and online support.

⁵ Phase Two of the project will analyse the impact reporting practices of a sample of UK charities and seek to understand the value of impact information for funders through semi-structured interviews and potentially roundtable discussions.

1. Introduction and Context

To drive forward the agenda of charities' impact reporting, this research project seeks to understand the current play-out of impact practice, that is, the measurement of and reporting on impact, in the sector. Delivered as a two-phase project with a mixed-methods research design, this report presents the results from Phase One, objectives of which included:

- examining how charities develop and use impact measurement and impact reporting using an online survey; and
- gaining an in-depth understanding of charities' position around impact practice using semi-structured interviews with 20 organisations.⁵

The report is presented in four further sections, including a brief literature review, research approach, results and recommendations.



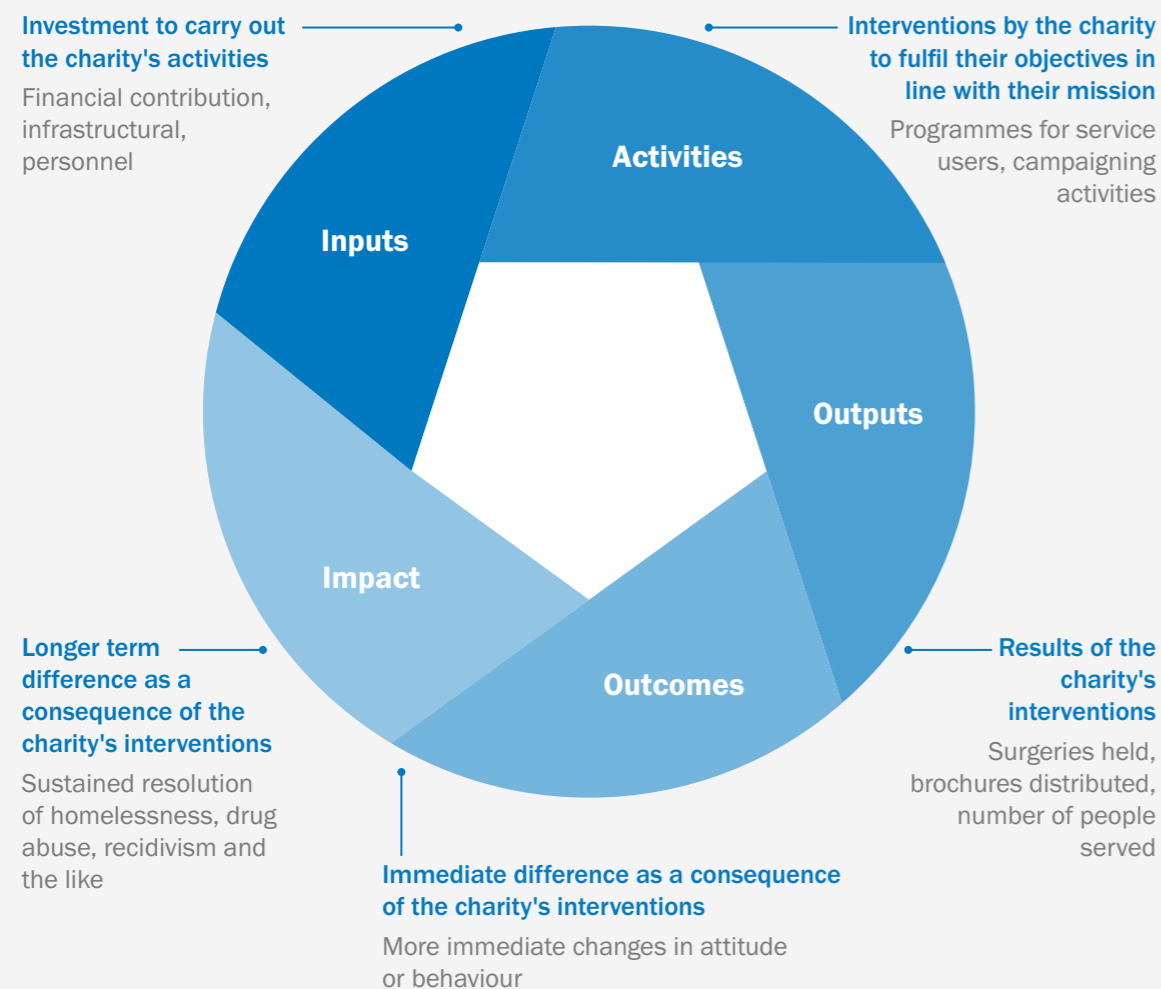
2. Background and Literature Review

2.1. Defining Impact

The role of performance measurement and reporting in the charity sector has long been recognised. Financial accounts fulfil a stewardship function but say little about charities' achievements and performance. Even though impact is an important facet of performance, there is no common understanding of what constitutes impact (Non-profit Business Advisor, 2021). For the purposes of this report, impact is defined as the sustained difference that charity interventions and programmes make on the lives of individuals and to society.

Practice recognises two key (and interlinked) frameworks to capture non-profit performance: the 3E (Economy, Efficiency and Effectiveness) framework developed in the public sector (Reider, 2004) and the more recent input-impact framework developed for the non-profit sector (NPC, 2012; CC, 2019) as apparent from Figure 2-1.

Figure 2.1 Input-impact framework of non-profit performance



2. Background and Literature Review

Both frameworks recognise the role of resources to enable charities to engage in their activities (input/economy), with the 3E framework focusing on the efficiency with which the funds are spent in accordance with the notion of value for money in the public sector, but the input-impact framework focusing attention on the actual interventions and the associated outputs. Both frameworks examine the implications of these activities for service users – while the 3E framework refers to this as effectiveness, the input-impact framework distinguishes between the more immediate difference as a result of a charitable intervention, and the longer-term, more sustained changes for beneficiary communities and in turn society as a whole. In turn, impact information may be captured through specific metrics that suit the circumstances of individual charities and/or monetised implications of the difference(s) made to beneficiary communities. While impact measurement is concerned with the collection and use of data internally in charities, converting it into externally oriented reporting (impact reporting), enables organisations to convey the value of their activities to their diverse stakeholder groups.

The next section, informed by academic and practitioner literature considers the motives, limitations and approaches to impact practice.

2.2. Motivations, Limitations and Approaches

Impact reporting fundamentally enables charities to address information asymmetry between themselves and their stakeholders, including beneficiaries, volunteers, donors, funders and other supporters, for example, ad hoc pro bono advisors and in turn nurture their trust and confidence – inspiring them to engage with and support charities and their activities (NPC, 2012; Cordery *et al.*, 2017; 2019). On the one hand, while such practice may be perceived as intertwined with the ethos and values of charities, on the other, it may help organisations to raise funds and attract wider support. At a sector level, such formal evaluation efforts mean impact reporting may aid in bolstering the sector's reputation and maintaining public trust and confidence (Adams *et al.*, 2021).

In addition, internally, impact practice can motivate staff towards a unified mission and also offers organisational learning opportunities – shedding light on what is working and what requires improvement (Ebrahim, 2003; Carman and Fredericks, 2008). Moreover, at a strategic level, impact reporting encourages staff and trustees to review and revise their plans and activities to ensure they achieve their vision, mission and purpose (NPC, 2012). Finally, as organisations gain confidence and impact reporting matures, charities' public reports may replace funder-specific demands that do not always have utility for organisations' internal benefits (Phillips and Johnson, 2021).

2. Background and Literature Review

Measuring the performance and impact of charities has often been seen as problematic. Lowe (2013), for example, notes a direct conflict between organisations' desires to collect impact information in a simple, comparable and efficient manner, and creating a meaningful picture for individual service users of how outcomes manifest. Charitable interventions take place in complex scenarios and thus any change, he explains, can be understood only in relation to these complexities in individual beneficiaries' lives –complexities that simple measures would ignore. Moreover, measures to capture the difference made assume that charities' interventions are responsible for the change. Yet, the complexities surrounding service-user circumstances may mean that such interventions play only a partial role in instituting change – attribution is therefore a key concern of impact practice. Furthermore, measurement processes are resource intensive – costing organisations scarce time and money; charitable spending on such administrative activity may be seen to take funds away from beneficiary-oriented interventions (van der Heijden, 2013).

Despite these limitations, the last decade has witnessed a proliferation of advancements in performance and impact assessment. With the development of manifold and diverse quantitative and qualitative tools to assess the impact of organisational strategies, programmes and services (as shown in Table 2–1), emergent impact practice is dynamic although it remains largely unregulated (Adams *et al.*, 2021). While some developments have been guided by the sector's own acknowledgement of the need for such advances, others have been encouraged by the formalisation and professionalisation of donor funding, including from the UK government, corporate foundations and philanthropists, and advances in parallel sectors such as the social enterprise sector and the for-profit sector for their social responsibility efforts (Noguer Blue, 2013).

2. Background and Literature Review

Table 2–1: Examples of impact practice models or tools

Impact practice model/tool	Brief description of the model/tool
Financial – quantitative impact practice models/tools	
Social Return on Investment (SROI)	Six-step investment methodology using discounted cash flow analysis to derive enterprise, social purpose and blended values. Each of these can be expressed as a ratio of financial investment in the organisation.
Contingent Valuation and Choice Experiment Methods	Determination of the total value of a nonmarket good by seeking individuals' valuations in monetary terms.
Social accounting/audit	Co-produced metrics to improve social accountability, which may be audited.
Models/tools to develop and assess programmes/strategy	
Logical Framework (Logframe)	A planning tool identifying the logical links between each programme level including inputs, outputs, outcomes and the overall goal. It also identifies direct or indirect performance measures at each step, to report against the goal.
Theory of change (TOC)	A strategic tool that enables charities to reflect on how their activities will lead to the outcomes and impacts intended, recognising the chain of short, medium and long-term outcomes that need to occur at each level for the main aim to be achieved. Incorporates myriad approaches, from high-level changes brought about by interventions to cause-and-effect models.
Experimental/quasi-experimental methods	Various methods e.g., randomised control trials to assess the effectiveness of interventions or treatments.
Financial – qualitative impact practice models/tools	
Balanced Scorecard	A tool tracking progress of performance indicators, targets and initiatives in both financial and non-financial terms. Balanced scorecards may also have mixed-methods (quantitative and qualitative) features.
Most significant change technique	A participatory, relationship-based technique to collect stories about the most significant changes from the field and categorising them into broad domains of change for programme improvement, but also ex-post evaluation.
Life story approach	Shows significance of a programme through personal life stories from volunteers, staff members, or clients about their experience.

Note: The models/tools above can be used to capture the impact of charities' activities although how they are used would determine the extent to which this happens. In the case of the Balanced Scorecard approach, for example, if performance indicators and targets capture output data then the model will not address impact. Similarly, the life story approach may detail the experiences of and impact on one service-user but not an overall assessment of charitable activities.

2. Background and Literature Review

Moreover, the three UK charity regulators have also sought to nurture impact practice amongst their member organisations, as aforementioned, in their efforts to promote the effective use of charitable resources and enhance public trust and confidence in the sector. In England and Wales, charities have a legal requirement to report on public benefit in their trustees' annual reports (TARs) (Morgan, 2017) and in guiding trustee practices, the CCEW recognises impact reporting as an important mechanism with which charities can fulfil these public reporting requirements (Davies, 2020). In addition, the SORP issued by the three UK regulators that provides guidance and requirements on charity accounting and annual reporting for charities to prepare 'true and fair' accounts, also makes reference to impact when addressing achievements and performance reporting. In the 2019 iteration, 'Charities are encouraged to develop and use impact reporting' (p. 18) – in other words, impact reporting is a recommended practice. Differentiating impact from other aspects of the input-impact framework as longer-term, sustained change, the SORP recognises it as the 'ultimate of charity performance' (p. 18). Further, in the context of 'good reporting', the SORP also encourages charities to provide 'a balanced view of successes and failures along with the supporting evidence' (p. 18). This said, the SORP also recognises potential challenges underlying impact measurement: 'there may be major measurement problems ... in many situations' (p. 18). Outside of the SORP, CCEW and OSCR have also endeavoured to assist charities to develop their impact practice – while the former has published blogs (see for example, Davies, 2020) to assist trustees to understand the role of and how to report on impact, OCSR led a session on impact reporting at the annual Scottish charity conference, The Gathering, in 2020.

2.3. Prior Literature

Academic research has critically evaluated impact measurement models and their underlying concepts advocated in Table 2-1 (Nicholls, 2009; 2018; Gibbon and Dey, 2011; Ebrahim and Rangan, 2014; Mook *et al.*, 2015; Dey and Gibbon, 2017; Hall and O'Dwyer, 2017). A small number of studies have also engaged in empirical research to examine charities' engagement in impact measurement (see Arvidson and Lyon, 2014; Arvidson *et al.*, 2014; Owen *et al.*, 2015; Polonsky *et al.*, 2016; Ramsden, 2020). While recognising the challenges associated with developing suitable impact measures, Arvidson and Lyon (2014) report that practitioners acknowledge the value of impact assessment and Arvidson *et al.* (2014) demonstrate the successful application of measures such as the SROI to complex charitable activities (e.g. in health). Polonsky *et al.* (2016), inquiring into social value measurement practices in Australian and US non-profits, note that the diversity of the sector limits the scope for developing standardised sectoral measurement systems, but argue that a collaborative approach at a sub-sector level (homelessness, children's education etc.) to share best practice and co-develop measures between charitable organisations would enable non-profits to better showcase their rich and varied outcomes.

2. Background and Literature Review

The translation of impact measurement to public reports, such as the TARs or specifically designed impact reports, has surprisingly attracted limited recent research, despite the impact-oriented guidance of the SORP (CC, 2019). Connolly and Dhanani (2009) and Hyndman and McConville (2016) examined the performance and achievements reporting practices, more generally, amongst the largest UK charities. Examining the 2005/6 TARs, Connolly and Dhanani (2009) noted that only one-third of their sample provided input-outcome-related data in accordance with the input-impact framework and none included efficiency data. Reviewing 2010/11 TARs, Hyndman and McConville (2016) showed reporting practice had improved – just over one-third of their sample disclosed efficiency-related ratios such as charity activity and administration cost ratios. Nevertheless, performance reporting at many charities continued to lag expectations.

2.4. Impact Reporting in Accounting Standards Internationally

Outside the UK, most countries which also regulate charities do not require impact reporting, nor do they promulgate accounting guidance or standards to guide voluntary disclosure. When reporting practices are guided by an accounting standard, such as that in the UK, reporting should be more comparable and the underlying standards more conceptually pure, although not necessarily simple (Cordery and Deguchi, 2018). Regulatory instruments may also be voluntary and include ‘kite-marks’ or other voluntary schemes to provide credibility to the charity. These voluntary schemes may (or may not) include guidance or requirements to report impact. Third parties may also summarise a charity’s impact on public consumption – (e.g. Guidestar and Charity Navigator in the US). A new reporting initiative currently in development to provide guidance to non-profits internationally – International Financial Reporting for Non-Profit Organizations (IFR4NPO)⁶ – will include impact reporting.

The Appendix compares the main aspects of impact reporting promulgations by the UK SORP (CC, 2019) with three other accounting standards proposed for impact reporting internationally (no others were found). These are: Australia’s Exposure Draft (Australian Accounting Standards Board (AASB), 2015), New Zealand’s requirements (External Reporting Board (XRB), 2017) and IFR4NPO proposals.⁷ Similarly to the SORP (CC, 2019), New Zealand’s impact reporting requirements focus on activities and their linkages to public benefit. Annual reports of larger charities (including impact) must be audited under NZ AS1 *The Audit of Service Performance Information*⁸ from 2022 onwards. Neither the AASB nor the IFR4NPO guidance/requirements are yet complete.

⁶ See: www.ifr4npo.org

⁷ The authors were unable to find evidence of similar schemes or impact reporting requirements in Continental Europe.

⁸ Available at <https://www.xrb.govt.nz/standards/assurance-standards/auditing-standards/standards-list/nz-as-1>. Charity regulatory requirements with regards to audit and review can be found here: <https://www.charities.govt.nz/reporting-standards/new-statutory-audit-and-review-requirements/>

2. Background and Literature Review

To inform the development of impact practice in UK charities, the first phase of this project inquired into the internal mechanisms that charities use in the development of their metrics, performance measures and ultimately impact assessment or factors that prevent impact assessment; and the translation of such information to reporting to external audiences. Results from this phase, it was hoped, would enable the research team to understand and reflect on good impact practice, and the challenges and roadblocks to developing it, and in turn, inform the development of impact practice for the sector.

To this end, Section 3 presents the research approach used in Phase One of this study.



3. Research Approach

To examine how charities engage in impact practice (measurement and reporting), the study developed an online survey and used semi-structured interviews, canvassing views of UK charity personnel. While the survey sought to capture the breadth of views on impact practice from charities, the follow-up semi-structured interviews aimed to capture more in-depth and contextualised perspectives of impact practice. Both research instruments were informed by prior research, pilot interviews and views from the ICAS Steering Group. Charities were invited to participate in the survey and interviews, regardless of their engagement with impact practice.

3.1. Survey

An online survey, directed at charity personnel, was developed in Autumn 2021 (the survey instrument is available at: www.icas.com/charities_impact_appendix). Accessible through ICAS’s website, the survey ran between 6 December 2021 and 19 February 2022. To canvass views of a diverse charity population, the survey was advertised to potential participants through a variety of mechanisms including: (i) the ICAS member newsletter, (ii) a Finance magazine, (iii) various social media platforms, and (iv) umbrella bodies representing different sub-sectors (e.g., Scottish Council for Voluntary Organisations and the Small Charities Coalition) and sector supporters (Evaluation Support Scotland). Seventy sufficiently completed questionnaires were received⁹ – fifty from charities involved in impact practice and twenty from those currently not involved. Respondents who measured impact exhibited a diversity of maturity in impact practice.

Respondents operated in a number of different areas (Table 3–1) and were engaged in service activities (48), advocacy (20) and/or other activities.¹⁰ As can be seen in Table 3-1, charities could select as many areas as were applicable. Moreover, respondent charities differed significantly by size – larger charities were significantly more likely to engage in impact practice as compared to small ones (Figure 3–1).

⁹ A small number of respondents completed only a very small proportion (< 40%) of the survey and these responses were eliminated from the data.

¹⁰ Charity respondents could select the appropriate purpose based on the UK charity law jurisdiction they are regulated by.

3. Research Approach

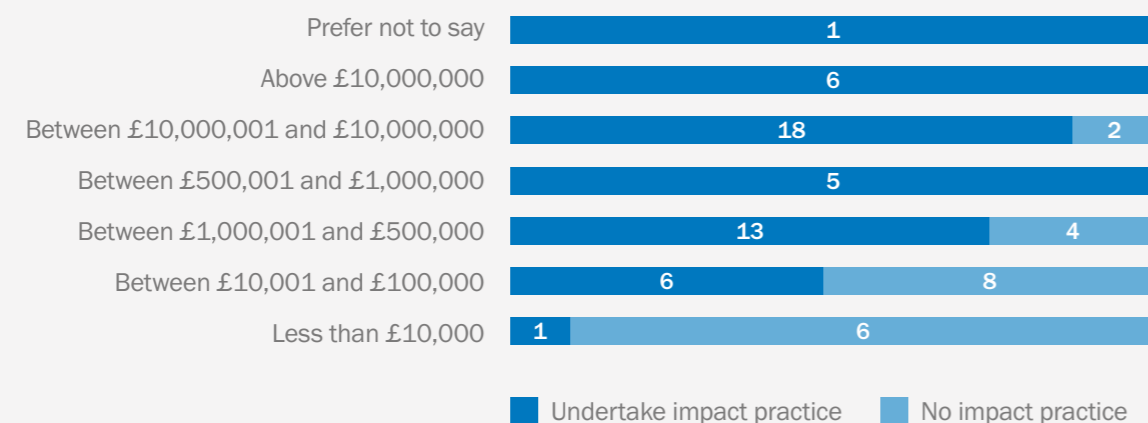
Table 3–1: Surveyed Organisations’ Charitable Purpose(s)

Charitable Purpose	Number	%
Advancement of animal welfare	4	1.9
Advancement of citizenship or community development	16	7.7
Advancement of education	36	17.4
Advancement of environmental protection or improvement	5	2.4
Advancement of health	26	12.6
Advancement of human rights, conflict resolution or reconciliation	6	2.9
Advancement of religion	10	4.8
Advancement of the arts, culture, heritage or science	10	4.8
Prevention or relief of poverty	26	12.6
Promotion of equality and diversity	9	4.3
Promotion of religious or racial harmony	4	1.9
Provision of recreational facilities, or the organisation of recreational activities	10	4.8
Relief of those in need, by reason of youth, age, ill-health, disability, financial hardship or other disadvantage	27	13.0
The saving of lives	9	4.3
Any other charitable purpose	9	4.3

Note: *Respondents could choose multiple purposes therefore this figure adds to more than the total number of charities surveyed.

3. Research Approach

Figure 3–2: Surveyed charities’ size (by income) and impact practice



Total 207* 100

Responding charities were funded by a variety of sources including business, charitable grants, donations from the public and corporates, endowments, fees, fundraising, government contracts and investments.

3.2. Interviews

The semi-structured follow-up interviews were conducted between January and March 2022. Twenty interviews representing twenty organisations of different sizes¹¹, different areas of activity (Table 3-2) and at different stages of their impact journey (from non-engagement to sophisticated impact practice) were conducted by combinations of two research team members. Guiding themes were used to pose open-ended and follow-up questions to participants. Given the semi-structured nature of the interviews, participants were encouraged to take forward the conversation on impact as practiced (or not) at their organisation. Interviews lasted for one hour, on average.

The next section presents the results from the survey respondents and interviewees. As noted, the interviews were undertaken to draw out themes from the survey. As such, our discussion in each of the following sections includes interview findings. Where specific quotes are provided from the interviews, the role of the interviewee is provided. Due to constraints of space, direct quotes are not used liberally.

⁹ While a small number of interviewees represented multiple organisations about which they spoke, for a small number of organisations, multiple interviews were also conducted.

3. Research Approach

Table 3-3: Interview Details

Interview	Interviewee Position	Charitable Activity(ies)	Charitable Size
1	Trustee	Animal welfare Environmental	£10 million+ £200 - 500K
2	CFO	Animal welfare	£10 million+
3	Trustee	Support for disadvantaged young women Overseas educational activities	£500K - 1 million £200 - 500K
4	Director of Finance & Business Performance; Impact Lead; and Lead Analyst	Healthcare for children with special needs	£10 million+
5	Chief Operating Officer	Education – young people	£10 million+
6	Trustee	Health – women’s	£200 - 500K
7	Trustee	Education – young people (as interview 5)	£10 million+
8	CEO and Operations Manager	Education – young children	
9	Communications Manager	Animal welfare	£10 million+
10	Trustee	Emergency relief	£200 - 500K
11	Head of Partnerships and Communication	Support for migrant community	£200 - 500K
12	Trustee	Support for disadvantaged young women (as interview 3)	£500K - 1 million
13	Trustee	Support for children and young people with disabilities	£200 - 500K
14	Deputy Director	Education – young children	£200 - 500K
15	Trustee	Grant maker	£10 million+
16	Trustee	Grant maker	£10 million+
17	CEO	Substance abuse	£1-10 million
18	Director of Resources and Planning	Environmental	£10 million+
19	Trustee	Overseas educational activities	£10 - 100K
20	Deputy Director	Homelessness	£10 million+

Note: data is presented in accordance with the interviews conducted. Some interviews entailed multiple participants as apparent from details of the interviewee positions; at two organisations, interviewees were interviewed separately – details in column 3; and two interviewees held multiple trustee positions – as apparent from column 3.

4. Results

The results discussed in this section are divided into three major sub-sections analysing: 1. what charities believe impact to be; 2. impact measurement; and 3. impact reporting.

4.1. Defining 'Impact'

The survey and interviews provided depth to our understanding of impact. Interviewees echoed SORP's (CC, 2019) notion of good reporting, wanting clear recognition that impact included achievements, and/or the benefit(s) created for service users and/or beneficiary groups. Impact here, as articulated by a trustee, in accordance with the SORP (CC, 2019) definition, was the difference made in connection with a charity's vision and strategy. Indeed, a majority of the survey respondents were agreeable with this view (Table 4-1).

Table 4-1: Survey respondents' understanding of impact

The term 'impact'...	% Agreeable to the view
Captures inputs	59.9
Captures outputs	71.4
Captures outcomes	82.8
Captures the difference made	85.4
Captures formal evaluation of activities	75.0

There were, nevertheless, two notable differences between the SORP's (CC, 2019) definition and how impact was manifested across the different organisations. First, both the survey respondents and interviewees believed that impact captured the various elements of the input-impact model. Moreover, within this view, while some charities emphasised the outcomes in this context, others defined the difference made principally in terms of the need(s) they were responding to and their corresponding inputs and outputs. Second, charities that sought to measure the difference made did so over different time frames, with some capturing it soon after the charitable intervention and others taking a longer-term view (sometimes two years and beyond).

4. Results

A key distinguishing feature that explained the differences in these perceptions was the nature of activities in which the organisations were engaged. Specifically, charities engaged in on-going interventions/policy and campaigning activities (for example, overcoming homelessness, reducing recidivism, improving underprivileged children's understanding of financial issues) were more outcome-oriented and sought to measure it in some form of 'the difference made'. In contrast, charities capturing impact through need were engaged in 'relief' activities, serving basic user needs such as school fee payments or other emergency financial assistance during the 2020 lockdowns, or reactive support such as funding a sensory garden for dementia sufferers. These one-off actions addressing the need were deemed to implicitly contribute to bettering the respective beneficiary communities. Similarly, the nature of activities, given the diversity of the sector, also served to explain differences in relation to the time-period over which impact was captured, although participants' maturity in impact practice was also a significant influencing factor.

4. Results

4.2. Impact Measurement

This section includes four sub-sections discussing:

- charities' motivations to measure impact and benefits achieved;
- charity actors engaged in impact measurement;
- impact measurement in action; and
- a reflection on impact measurement and the challenges posed.

Motives underlying impact measurement

The principal motives driving the survey respondents' intentions to engage in impact measurement, in order of importance, were (Table 4–2, Column 2): (i) to better appeal to future funders (100% were agreeable with this motive); (ii) to inspire and motivate staff (89.8%); both (iii) to respond to current funder's demands (83.7 %) and (iv) to enhance campaigning/advocacy outcomes (84%) were ranked equally. In other words, both internal and external factors drove charities to engage in impact measurement.

Table 4–2: Motivations underlying impact measurement and benefits achieved from impact measurement

Motives underlying / benefits achieved from impact measurement	Agreeability with the statements (%)	
	Underlying motivation*	Benefit achieved*
External drivers		
To better appeal to future funders	100.0	83.3
To respond to funder demand(s)	83.7	86.4
To enhance campaigning/advocacy outcomes	84.0	65.1
Internal Drives		
To inspire and motivate staff	89.8	86.0
To improve internal planning and operations by better appreciating what is/isn't working and how resources can be used more effectively	79.6	81.8
To improve internal planning and operations by guiding strategy – linking activities to the change aspired to	79.6	88.1
To understand how the charity is performing against its set vision, mission and objectives	73.5	100.0
To improve the service for service users and beneficiaries	66.7	93.0

*Respondents significantly agreed with the statements: selecting 'a great deal' and 'a lot' in response to the statements posed

4. Results

Charity manager interviewees expounded on the usefulness of impact practice in reporting back to current funders and also potential funders. In addition, one explained how engaging with the TOC (Theory of Change) was both a precursor to impact measurement, and a pre-condition to achieving accreditation for a sectoral quality mark, deemed to enhance the credibility and legitimacy of the charity's activities. Moreover, measurement was useful internally – one charity manager commented 'everyone is very mission led and ... wants to have an impact...'. Hence, in line with Ebrahim (2003), impact practice inspired and motivated staff and enabled them to meet the needs of members and beneficiaries.

Interestingly, on inquiring into the actual benefits of measuring impact (Table 4–2, Column 3), some survey respondents believed that impact data had not been as successful as anticipated in appealing to future funders. This may be because where charities rely on multiple funders for small levels of funding, the reach of their impact data may be limited, as compared to charities relying on fewer large value funds where the motive for understanding charity achievements is greater. Interestingly, two internal benefits delivered greater value for survey respondents than originally anticipated and in both instances, the value was perceived to be higher than that linked to external factors. Specifically, more respondents felt that they benefited from the measurement exercise to understand how their charity was performing against its vision and mission (100% versus 74% at introduction) and to improve internal planning and operations (88% versus 80% at introduction). Most significantly, while only two-thirds of the survey participants felt that impact measurement would improve services for beneficiary groups and service users, 93% noted benefiting from this outcome – that is, engagement in impact activity was significantly deemed to help improve intervention provision and enhance the organisations' effectiveness.

4. Results

Charity actors engaged in impact measurement

A variety of staff, volunteers and other external participants are engaged in impact measurement, including the preparation and review of internal reports. Survey respondents were asked to list how each party was involved, as shown in Table 4–3.

Table 4–3: Personnel engaged in impact measurement

Personnel involved in preparing	# of organisations*		
	Developing measures	Data collection and analysis	Internal reporting and reviewing of impact information
Internal			
CEO	25	16	33
Trustee(s)	16	8	30
Finance director	11	16	16
Specialist impact manager or equivalent	19	25	22
Service delivery managers/providers	15	22	15
External			
External consultants	11	10	9
Funders	11	4	18
Beneficiary/service user	8	5	4
Other (various)	6	0	18

*Survey respondents could select multiple options for each stage of the measurement process

4. Results

CEOs were the most common group involved in developing impact measures and reporting/reviewing impact reports and impact/evaluation managers followed as the second most popular group – involved across the different stages of the measurement process albeit in slightly fewer organisations. The latter result may reflect the presence/absence of such roles in charities. Service delivery managers, trustees and finance directors were the next category of personnel involved – each group engaged in different stages of impact measurement – reflecting their respective roles. Specifically, while finance directors appeared to be engaged with data analysis and reporting/reviewing impact information, trustees were also engaged in reviewing impact information and for charities, developing impact measures, too. In the latter case, one interviewee noted that their charity had created a board-level impact sub-committee that asked management ‘searching and challenging’ questions to enhance impact practice. This said, several interviewees seeking to further the impact agenda at their organisations highlighted resistance at the top from both managers and trustees – workload pressures were deemed to be a concern for both groups.

External parties involved in impact measurement within organisations included consultants, who interviewees explained, were often called upon on an ad hoc basis. Funders, consistent with Phillips and Johnson (2021) also played a prominent role in determining/advocating specific impact measures. Additionally, interviewees, depending upon their charities’ areas of activity, highlighted the role of nationally recognised impact measures and that occasionally, sector champions and peers were also involved in the measurement process. These were also cited by survey respondents and are represented by ‘other’ in Table 4–3. In a small number of instances, service users were deemed to be engaged with impact measurement – although this practice was not evident amongst interview participants so we were unable to explore further how service users were involved.

Impact measurement in action

Data is collected at a variety of levels, including:

- on an activity-by-activity basis for services delivered (41 respondents)
- on an activity-by-activity basis for campaigning activities (23 respondents); and
- at an organisational level (36 respondents).

As could be expected from different views of impact and the nature of charitable interventions, the type of data collected varied. Further, while activity-by-activity data may be easier to gather, synthesising it could be challenging, depending on the overlap between discrete activities and programmes. Hence, organisations may measure impact for a sub-set of activities or keep the data discreet for different charitable interventions. Table 4-4 (overleaf) provides some examples of the types of data organisations collect and measure. Many (43%) use data from both internal and external sources.

4. Results

Table 4–4: Types of data collected/measured

Types of data to measure impact	Selected summarised examples of data
Internal data (used exclusively by 52% of the survey respondents)	
Direct data gathered at the charity	<ul style="list-style-type: none"> • Statistics on users, attendance data, numbers reached (and turned away), retention rates, quality of impact, etc. • Data on user progress (i.e. before and after interventions), academic achievement, sustainability of change effected • Reaction feedback from users to staff members • Comparing results between a treatment and control group • Services users' financial gains (e.g. benefit claims)
Surveys of service users/members and others to capture difference made	<ul style="list-style-type: none"> • Surveys and quizzes to collect data for each group of service users (including self-reported improvements in wellbeing, quality of life, financial gains) • Ratings from indirect beneficiaries such as caregivers/teachers
Feedback	<ul style="list-style-type: none"> • Surveys and other means to continually evaluate service delivery quality • Surveys of volunteer personnel • Case studies, evidence of benefit and quotes from participants sharing their experiences • Focus/discussion groups and interviews of service users about the difference made by organisation; improvements needed to better meet their needs and other services that could assist them
Analysis of longitudinal/overall programme outputs and outcomes	<ul style="list-style-type: none"> • End of programme outcomes evaluations for full cohort of beneficiaries • Measurements across the organisation in terms of numbers of service users helped and overall outcomes rather than individual programs • Test and learn case studies where outcomes were different than expected and learning ensued • Assessment against TOC objectives • SROI + Long term predictions of behaviour into adulthood
Externally commissioned*	<ul style="list-style-type: none"> • Commission external assessor to measure impact using internal data (where funds available) • Assessor reports and third-party comments

4. Results

Table 4–4: Types of data collected/measured

Types of data to measure impact	Selected summarised examples of data
External data (used exclusively by 5% of the survey respondents)	
Specifically requested	<ul style="list-style-type: none"> • Grant-maker measures impact of their grants through asking grant recipients for information about the outcomes the grant made possible • Seeking feedback from sectoral participants (including public sector partners) on organisation's impact
Published data	<ul style="list-style-type: none"> • Published data on (estimated) volunteering, homelessness, employment, other demographics • Government reports and statements, e.g. numbers of students entering Higher Education • National data used as benchmarks, e.g. Student Assessment Test results

*Sometimes, data is analysed internally, other times charities commission third parties to both collect and analyse data

4. Results

Interestingly, some organisations equated feedback surveys to impact data. While feedback surveys may include data to capture the difference made and measure impact, this may not necessarily be the case. Instead, feedback from service users may simply include (immediate) views and experiences of service users following a charity intervention. In this context, a positive experience of the service may not necessarily result in the intended impact. For example, a substance abuser may engage with and enjoy the services of a substance abuse charity but this may not necessarily result in their recovery.

Many of the 50 survey respondents who undertook impact practice used formal models to drive their impact measurement processes with the most common being: TOC (16), Social balanced scorecard (6), Logframe (2). 12 survey respondents also noted they used a diverse range of other additional models/tools, many of which were specific to their areas of activities. Data collection systems were in turn aligned to the models and tools deployed. For example, based on the TOC, a financial education charity for young children, was in the process of developing a controlled trial to assess the impact of its intervention. In turn, respondents adapted existing processes (30/50) and/or introduced new processes (34/50), and bespoke case management systems to capture impact data.

Several interviewees highlighted the need for data collection ‘to be embedded into business-as-usual...’ (Trustee) and appropriate education and training for data collectors (usually internal staff and volunteers). In the latter case, it was important for the data collectors to understand the underlying basis for this task so that they did not feel threatened by any negative results emerging from the impact process. Moreover, given that it may be (almost) impossible to recreate data retrospectively, it was critical that staff and volunteers appreciated the role and value of the data, especially because their passion lies in service delivery rather than collecting data (as also noted by Carman and Fredericks, 2008). Organisations with more established practices increasingly emphasised data analysis – calling on data analysts to extract and analyse information for service managers for internal and external use, including quality assurance of programmes/activities and organisational learning, and meeting funder demands. One manager, for example, noted:

when the monitoring and evaluation team first started, it was very much about data entry... we're trying to get to the point where we're doing much more analysis of that data.



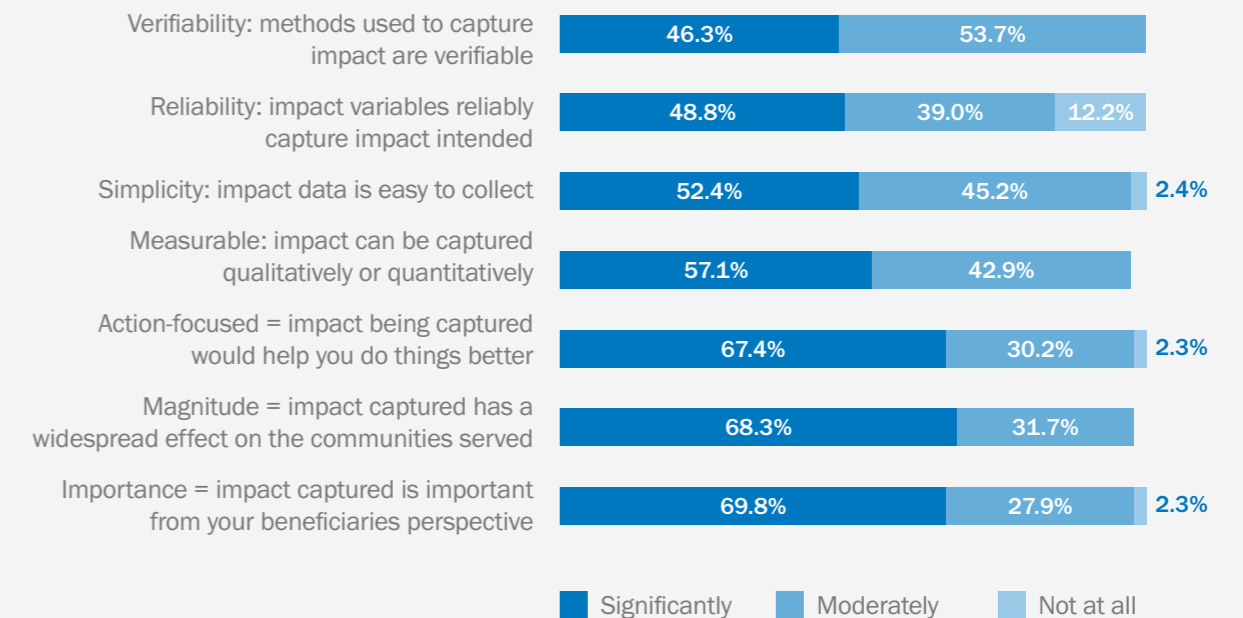
4. Results

The nature of the data collected by charities varied quite considerably with most survey respondents noting they collected quantified data (40) on a regular basis. Further, 27 collected monetised data, that is, some monetary classification of their impact; 31 surveyed users; and 24 relied on ‘trained judgement’ of suitably qualified personnel. Qualitative data was also popular: 34 charities collected qualitative comments and 35 used case studies/individual stories. Interviewees highlighted the importance of a combination of data – particularly quantitative data and case-based data/stories, to capture respectively, the breadth of difference charitable interventions made and similarly their depth by showcasing how lives were changed at a personal level.

Finally, survey respondents noted the principles used in developing particular measures (see Figure 4-1). Importance of impact data from the perspective of the beneficiaries was deemed to be the most relevant - 69.7% stated that it applied to them significantly, that is, ‘a great deal’, or ‘a lot’. This was closely followed by the desire to have impact measures that had a widespread effect on the communities served (had ‘magnitude’ 68.3%), and were ‘action-focused’ (67.4%). Finally, measurability (57.1%) and simplicity (52.4%) had some relevance.

4. Results

Figure 4-1: Principles informing surveyed charities’ development of impact measures



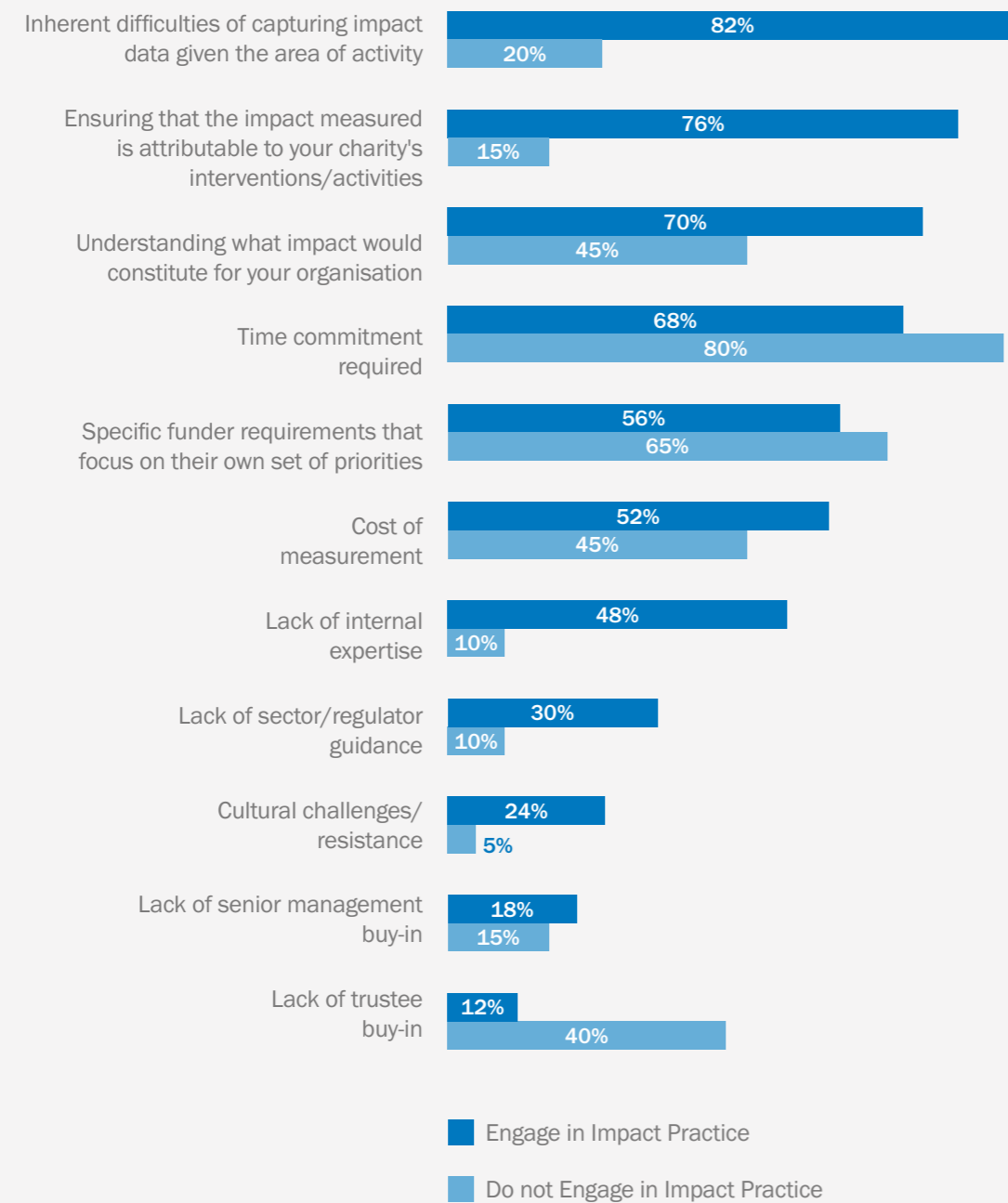
Reflections on impact measurement

The interviews and survey data suggested that participants saw impact practice as a journey – organisations developed their practices incrementally, commencing, for example, with the application of a methodology such as TOC; then developing measures to capture the relevant data and following this up with formalised data analysis. Moreover, several interviewees commented on on-going developments, challenges to overcome and priorities to build upon, as part of the impact process. Several organisations were, as a consequence, also keen to evaluate their impact practices, for example, revisiting their TOC or their data systems to ensure that the impact process delivered on the motives driving it.

Despite the positive observations in respect of impact measurement noted above, organisations engaged in impact measurement noted that they found it a challenge. Equally, those not engaged in it faced various restrictions. Reflecting their respective journeys of impact practice, the two groups varied in their views of the challenges that impinged their (introduction of) impact practice (Figure 4-2 overleaf). For organisations measuring impact, capturing specific impact data (82%) was the greatest challenge, with attributing change to their particular charity (76%) a close second. These survey respondents’ experiences to capture impact chime with Lowe (2013), reflecting the complex environments within which charities operate. Some charities (70%) also still struggled to understand what impact meant for their organisation, while the time commitment required (68%) was a very close fourth

4. Results

Figure 4–2: Challenges in impact measurement and reporting



4. Results

choice. One senior manager noted that demand for their services had an inverse relationship with their engagement with impact practice due to strains on their resources, while another noted that unrestricted funding afforded their charity the space to engage in impact practice. Further, challenges in developing intermediate outcomes that were sufficiently stable and relevant to longer-term impact measures were noted as concerns by both a finance manager and a trustee.

For charities that do not currently measure impact, the time commitment to engage in impact practice (80%) was of primary concern, which also linked to the second most relevant constraint – capturing data in accordance with funder requirements and priorities (65%). Understanding what impact meant for their charity was tied with the cost of measurement (45%). Almost a third stated they had no immediate plans to measure impact, with some suggesting impact was unmeasurable, while others recognising that more time may enable them to do so in the future. Those open to impact practice sought a greater understanding of impact measurement, as well as its overall advantage(s).

4.3. Impact Reporting

This section includes three sub-sections which discuss:

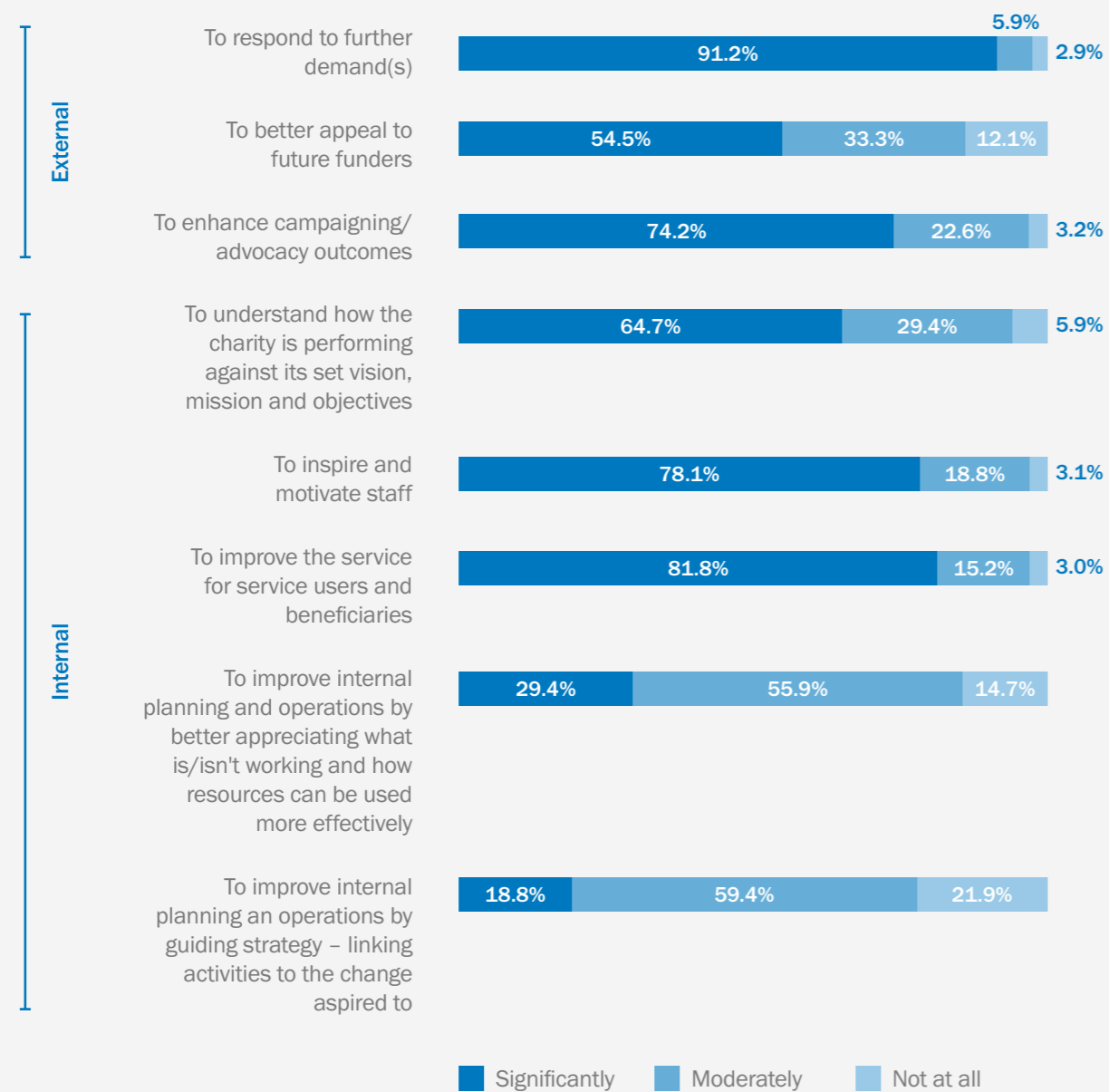
- charities' motivations to report impact;
- how impact is reported, who is responsible for reporting; and who impact reports are directed towards; and
- the principles driving impact reporting.

Motives underlying impact reporting

Of the 50 charities that measure impact, most (47) were engaged in formal impact reporting. Unsurprisingly, the external motivation – to meet funder demands – was the most important to drive impact reporting (see Figure 4–3 overleaf). Internal motives played a somewhat less significant role but were nevertheless important, reflecting NPC's (2012) encouragement for charities to use impact reporting to review their activities and programmes. While the motivation to undertake impact measurement (reported above) was primarily driven by the lure of future funding, surprisingly this was nominated as being a driver of impact reporting by only 54.5% of the survey respondents. This difference in results may be explained in terms of some interviewees' experiences to express their commitment to impact measurement in funding applications rather than showcase them through regular public reports.

4. Results

Figure 4–3: Motivations underlying impact reporting



4. Results

What impact reporting is undertaken and who are the personnel involved?

Charities employ a variety of different media to report their impact information to diverse stakeholder groups – predominantly external but also internal. Table 4-5 overleaf (Panel A) shows that even though the TAR was the most popular, other media such as funder-specific channels (applications and reports) and websites and social media were significant outlets for impact reporting. Some survey respondents prepared voluntary impact reports, although interviewees revealed that organisations were increasingly inclined to present such information on their websites for sustainability reasons. Nevertheless, diverse communication media were considered important to reach different audiences, the variety of which is shown in Table 4-5 (Panel B). Charity websites, for example, enabled organisations to engage with their audiences in a more interactive manner while TARs, underpinned by the SORP (CC, 2019) requirements, were seen as more formal documents. Overall, the split roles between TARs and other impact reporting media highlight the distinct role that they each play in communicating impact.



4. Results

Table 4-5: Channels used by surveyed charities to report impact information and towards whom information is targeted

Panel A		Panel B	
Channels of reporting impact information	# of organisations*	Audiences of impact reporting	# of organisations*
Trustees' Annual Report	27	External audience	
Funding applications	23	Existing funders and donors	31
Funder performance reports	23	Potential funders and donors	30
Charity website	22	Sector participants/peers	14
Social media	22	Regulators	8
Newsletter	14	Internal audience (and 'other')	
Voluntary impact report	14	Trustees	23
Fundraising / promotional material	13	Beneficiaries/service users	21
Voluntary annual review	8	Senior Management	17
Blogs	6	Organisational employees	16
Other	2	Other	3

* Respondents could select as many options as were applicable

4. Results

Most survey respondents used the same impact measures for internal and external audiences. Where charities reported different impact measures, it was generally because internal purposes required more complex, higher frequency and detailed data and these were simplified and reported less frequently (e.g. annual compared to monthly) for external audiences. Further, organisations noted the specific requirements of funders, which were not necessarily publicly reported.

In respect of the key actors involved in the preparation of TAR, CEOs and trustees took the lead (at 20 organisations) and for voluntary impact report/reviews, CEOs took charge with impact/evaluation managers following closely behind (see Table 4-6). Responsibility was carried by other professionals to a lesser degree, including finance directors, communication and fundraising departments, service managers and other senior managers. With the TAR, audit firms also sometimes played a role.

Table 4-6: Personnel involved in reporting impact

Personnel involved in preparing	# of organisations*	# of organisations*
	TAR	Impact reports
Internal		
CEO	20	17**
Trustee(s)	20	10
Finance director	10	4
Specialist impact manager or equivalent	7	13
Marketing and fundraising department	5	4
Communications department	3	3
External		
Audit firm	5	0
External consultant(s)	1	2
Other	3	4

* Respondents could choose as many as were applicable

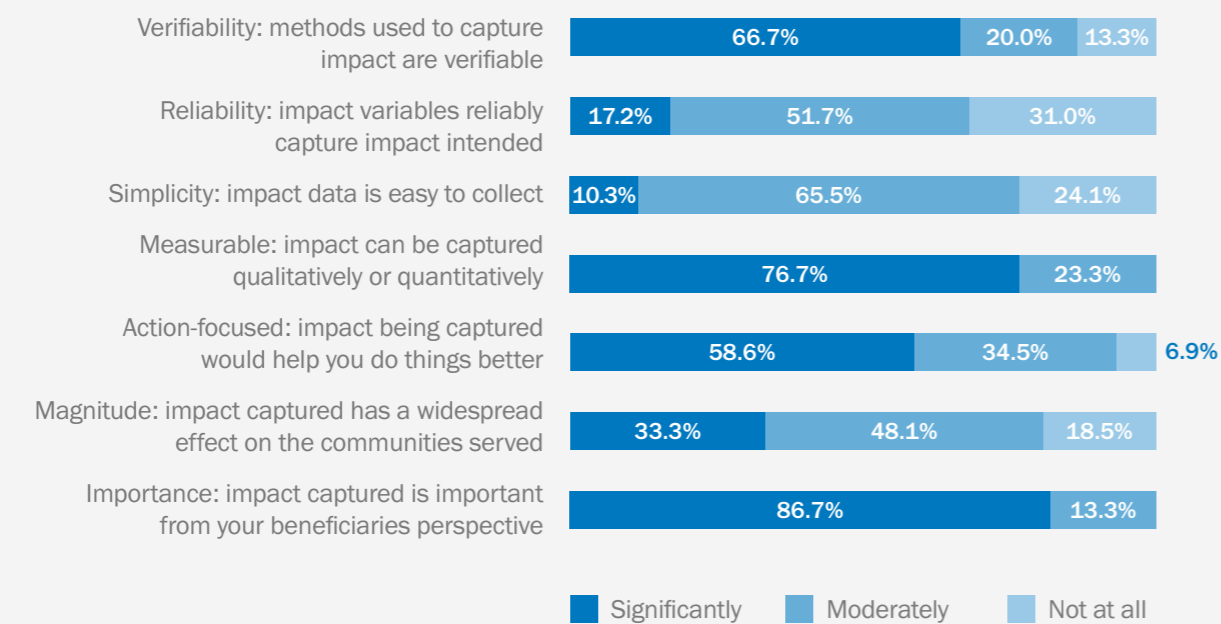
** Although only 14 respondents indicated that they prepared a voluntary impact report (see Table 4-5, Panel A), 17 stated CEOs to be involved. This discrepancy may reflect other impact communication channels.

4. Results

Principles driving impact reporting

Recognising the multiple stakeholder groups with whom charities seek to share their impact outcomes (Table 4-5, Panel B), it is unsurprising that ‘importance to users’ was the principle most often cited (86.7%) to inform the development of the charity’s impact reporting within the public-facing TAR (see Figure 4-4), with measurability – being able to capture the data featuring as second most relevant factor (76.7%). Interestingly, verifiability (66.7%) which was deemed less relevant from a measurement point of view (Figure 4-1) was the third most important factor in impact reporting. Some organisations took concrete action to reflect these principles to enhance trust amongst funders and other report users. One organisation was, for example, in the process of seeking a formal audit of its impact processes – and another used internal audit to verify data accuracy. This said, some interviews revealed reluctance by organisations to share details of situations where their activities fell short of expectations and/or benchmarks and emphasised instead their positive contributions. Such practices may constitute public relations exercises and contradict the SORP’s (CC, 2019) notion of balanced reporting.

Figure 4-4: Principles informing impact reporting within the TAR



4. Results

4.4 Impact Practice Guidance

Few survey respondents used external guidance to inform their impact practice. Perhaps expectedly, most respondents were keen for more guidance or advice on how to report impact, whether they were currently involved in impact practice or not. As shown in Table 4-7, many survey respondents felt that sector-wide guidance would be useful not only for their respective organisations but the sector, more widely – possibly to encourage comparability at a sub-sector level, that is, between charities engaged in similar activities. Interestingly, organisations engaged in impact reporting were more interested in such guidance than those who do not currently report. These results were substantiated in the interviews, where support for guidance from reporting organisations highlighted the difficulties of such practice. Interviewees highlighted that useful guidance could include examples of best practice in relation to impact measurement and reporting. Moreover, engaging impact professionals for charities to draw on and peer support groups were additional ideas to support better impact practice. Organisations had also benefited from pro-bono impact support and trustees who were well informed about impact. The lower desire for guidance from charities not engaged in impact reporting may reflect the specific nature of their challenges of impact measurement (Figure 4-2).

Survey respondents were also supportive of a reporting standard to drive forward the reporting agenda, although less so than their support for guidance. Once again, support at a sector level was deemed more relevant than at an individual organisational level and those who report impact were keener on a standard than those that did not report. Some interviewees, therefore, worried that a standard could become too prescriptive, especially given the diversity of the sector and member activities and objectives. This fed into comments that any further standards should be proportionate to the size, nature, and resources of different charities.

4. Results

Table 4-7: Forms of assistance to drive forward impact practice

Agreeable with the view that the following would:	Non-engagement with impact practice (%)	Engagement with impact practice (%)
Sector-wide guidance on reporting		
Drive forward the impact reporting agenda at your organisation	55.0	65.0
Drive forward the impact reporting agenda for the sector as a whole	65.0	71.7
Encourage comparability in the individual areas in which charities work (e.g. health, education etc.)	60.0	70.0
Sector-wide reporting standard		
Drive forward the impact reporting agenda at your organisation	26.3	42.4
Drive forward the impact reporting agenda for the sector as a whole	47.4	57.6
Encourage comparability in the individual areas in which charities work (e.g. health, education etc.)	47.4	54.2
Kite-mark type certification on impact reporting		
Drive forward the impact reporting agenda at your organisation	26.3	51.7
Drive forward the impact reporting agenda for the sector as a whole	42.1	58.3
Encourage comparability in the individual areas in which charities work (e.g. health, education etc.)	31.6	54.2

4. Results

Finally, reporting charities offered broadly the same level of support for self-certification (such as a kitemark/recognisable symbol they can use on marketing or other material), and equally, charities that did not report showed the same lower level of enthusiasm. These latter need to be convinced of the need to engage in impact practice before guidance, regulation or self-certification may be deemed to be useful.

Moreover, interviewees believed assistance from funders and commissioners would enable them to further their impact journey. Resource constraints can lead to variable impact practice especially when other priorities (such as funding and developing services for users) take over. Recognition of the time and cost to report impact is necessary.

We now turn to Section 5 and our Phase One recommendations.



5. Phase One Recommendations

This research project was undertaken with support from ICAS to explore impact practice in UK charities. Specifically, the project sought to produce evidence on the underlying motives and practices of, and obstacles to impact measurement and reporting to help support development around impact reporting in the next iteration of the SORP – informing the SORP and guidelines for charities. This section presents the recommendations emanating from this first phase of the research project. They are categorised as: (i) charity, (ii) sector, (iii) funder, and (iv) sector supporter level.

5.1. Charity Level Recommendations

Our evidence enables us to make the following six recommendations for individual charities.

Seeing beyond the hurdles

Charities not engaged in impact practice are concerned about the time commitment alongside other hurdles. Charities should recognise the value of impact: the credibility of confidently reporting how their interventions make a difference and importantly the opportunities to shape internal decisions and enhance service provision and outcomes (see Ebrahim, 2003; Carman and Fredericks, 2008; Arvidson and Lyon, 2014; Arvidson *et al.*, 2014). Ultimately, it is crucial that impact practice is not seen as an overhead. Even a small investment to source expertise on an ad hoc basis or making impact practice a small part of an individual manager's role may suffice. Integrating impact practice to organisational activities undertaken by paid and voluntary staff will ensure the charity genuinely achieves the desired effects (mission and vision) they work towards.

Recognising how different charitable activities influence impact

Impact can mean different things in different contexts (see Doherty, 2019). Some charities are able to measure impact based on outcomes, while others may have to recognise impact on the basis of relieving immediate need. In developing impact practice, charities must recognise their unique context to tell their own story.

Embedding impact practice

Impact practice calls for establishing a culture in which impact is embedded in organisations as 'business-as-usual'. This may include obtaining buy-in from 'the top' – senior managers and trustees alike and seeking out new trustees with expertise of and experience in impact practice. Larger charities may also consider scope for board level sub-committees to specialise in impact. More operationally, charities need to give consideration of impact frameworks that may best suit the nature of their activities – TOC is the most versatile. Moreover, as charities roll-out measurement practices at their organisations, staff and volunteers must be suitably trained to understand the value of the impact process and their role as data

5. Phase One Recommendations

collectors within it. Further, impact practice is a journey towards maturity, entailing revisiting the various stages of the impact process, from the methodologies and tools used to develop impact outcomes to approaches to data collection and analysis.

Feedback versus impact

We found charities are generally keen to improve service provision for their target audiences, and consequentially deploy surveys seeking feedback/satisfaction to enhance service delivery. Such surveys are mobilised at regular intervals – (bi-) annually, during and/or at the end of specific intervention programmes. While results linked to impact may also inform charitable interventions, survey feedback and impact measurement are not necessarily the same. Charities should make the distinction and consciously engage in an impact assessment exercise, and as necessary collect impact-related data as part of their feedback surveys.

Aligning communication channels with audience

Charities' audience is important and should be considered when reporting impact. As impact reporting information differs from the statutory requirements for financial reporting, charities have the flexibility to use a wide range of communication channels to address the demands of various stakeholders interested in impact information. Charities may also adjust the frequency of voluntary impact reporting to reflect the longer-term nature of their activities.

Enhancing stakeholders' confidence

SORP (CC, 2019) encourages balanced reporting and charities should oblige. When impact reporting becomes a public relations exercise and is selective, stakeholders lose confidence (see NPC, 2013, Adams *et al.*, 2021).

Drawing on their relative strengths, charities should consider quantitative and qualitative data in tandem. The New Zealand standard (XRB, 2017) requires non-profit organisations to report 'sufficient' information with a meaningful mix of performance measures and/or descriptions. Judgement is required to ensure the information provided gives an appropriate view of the organisation, that the information is not excessive, obscuring the overall picture.

Larger charities may seek independent assurance as a verification exercise. Research suggests that assurance strengthens the credibility of the information disclosed and the underlying processes used to generate it (e.g. Ballou *et al.*, 2018). Assurers may include a wide variety of providers and public sector assurance practices could be 'read-across' to the charities sector. For example, in the public sector, the National Audit Office has a Code of Audit Practice which requires auditors to be satisfied about arrangements to secure value for money and report significant weaknesses in arrangements and make recommendations for improvement. Charities may also use internal audit for data verification.

5. Phase One Recommendations

5.2. Sector Level Recommendations

As shown in the three short subsections below, sectoral support for impact practice would also usefully improve impact practice.

Encouraging sub-sector collaboration

At a sub-sector level, for example, mental health, education, etc. a collaborative approach between organisations, supported by respective sub-sector umbrella bodies as relevant may foster the development of impact practice (see Polonsky *et al.*, 2016). Charities can share experiences and learn from one another. While some charities have successfully applied the TOC as a basis for impact practice, others have struggled to do so. Working with one another may provide valuable learning. Similarly, charities can collaborate to develop metrics and data collection systems to gather appropriate data. To the extent that funders regularly fund specific charitable activities, they can also partner in such processes, so that divergent views and expectations combine to meet a common cause.

Widening the SORP's accessibility

Given its original remit to shape the financial accounting practices of charities, the SORP has traditionally been written for finance directors and managers. While finance managers should be encouraged to take forward the impact practice agenda in their organisations, given that the research shows that other senior managers – particularly chief executives, operations leads and trustees also lead on impact, they should also meet the intent of the SORP. This requires greater awareness of the SORP by non-accountants involved in driving forward impact practice as well as ensuring the SORP is accessible to these actors.

Preparing trustee boards for impact reporting

Trustees are pivotal in ensuring that charities are engaged in their core mission. They also have overall control of the organisation and are responsible for the content of the TAR. Sector leaders have a role to educate diverse board members to engage in impact reporting – showcasing the value and wide variety of approaches to impact reporting.

5. Phase One Recommendations

5.3. Funder Level Recommendations

We put forward two recommendations at the funder level.

Working together

Funders and commissioners of services delivered by charities often stipulate their own set of metrics which may have little utility to the organisations' reporting them. Co-producing metrics to the mutual advantage of all parties is preferable.

Nurturing impact practice

Given the beneficial role of impact practice for charities and funders, alike, the latter can support the development of impact practice in the sector, more widely. Three possibilities include impact resourcing within project funding; a consortium of funders providing a dedicated pool of funds that charities can apply for to initiate their impact processes; and connecting charities with appropriate expertise in the sector to support capacity building in impact practice.'

5.4. Sector Supporter Level Recommendations

We recommend that knowledgeable organisations assist charities in their impact journeys. Examples include consultancy firms and accounting practices who can offer pro-bono advice. Currently, Pro Bono Economics, a charity set up by the Chief Economist of the Bank of England, works in partnership with volunteer economists to offer charities advice on measuring and articulating their impact and influence. Such a scheme could be replicated and/or extended to other professions who can similarly use their expertise to help inform charities' impact practice. Umbrella organisations may be well placed to help move forward such an agenda.

6. Next steps – Phase Two Objectives

Following this Phase One report, Phase Two of the project will analyse the latest TARs, annual reviews and impact reports of a sample of UK charities to assess how impact is disclosed and the nature and characteristics of such disclosures. The project will also seek to understand the value of impact information for funders – semi-structured interviews will be held with funders of the sample charities and potentially roundtable discussions with additional funder groups, including corporate foundations and philanthropists, will also be held.

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Appendix: Comparison of international promulgations on impact reporting

Requirements	UK SORP (CC, 2019)	Australia ED270 (AASB, 2015)*	NZ PBE FRS48 (XRB, 2017)**	IFR4NPO CP (2021)***
Describe activities	√	x	How it 'goes about it'	Potentially
Link activities to public benefit	√	x	x	?
Link activities to charity's aims and objectives	√	x	√ & why entity exists	Potentially
Detail contribution of volunteers	√	Permitted as part of inputs	x not discussed in this standard	?
Detail inputs that lead to outputs (resources entity uses)	x	√	x	?
Detail outputs (goods and services to external recipients)	x	√	x	?
Detail outcomes influenced by entity (or if not accountable for them directly then those it is seeking to influence) – impacts on society etc	x	√	Must describe what it is accountable for	?
Describe efficiency in achieving service performance objectives (link between inputs, outputs and/or outcomes)	x	√	x	?
Describe effectiveness in achieving service performance objectives (link between outputs and/or outcomes and service performance objectives)	x	√	x	?
Provide key service performance objectives (planned results)	x	√	√	Potentially
Balanced (i.e. positive and negative statements)	Encouraged elsewhere	√	√	?
Assess CF's qualitative characteristics	x	√ (include cost-benefit)	√ (appropriate & meaningful to users)	Potentially
Quantitative measures required	Allowed	Allowed	Allowed	Potentially
Qualitative measures required	Allowed	Allowed	Allowed	Potentially
Quantitative descriptions required	Allowed	Allowed	Allowed	Potentially
Within a specific report	TAR	Choice	Same as GPFR	?
Same time period as financial statements	√	Preferable but not necessary (explain)	√ (unless legislation differs)	?
Apply to consolidated statements of NFP entities	√	√	√	?
Audited	x	x	√	?
Comparatives	x	√	√	?
Restate material errors from prior period	x	√	√	?
Disclose judgements	x	√	√	Potentially

*The AASB has decided not to issue a standard on charity/non-profit financial reporting at this stage, but it remains on their agenda.

** Effective date for charities with annual expenditure greater than £1,000,000: beginning on or after 1 January 2022.

***The IFR4NPO project is working through feedback on the consultation with no final guidance expected during 2022.



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