

Starting a Small Charity

1: Outputs & Outcomes

One of a series of Guidance Leaflets

The Scope of These Guidance Leaflets

This leaflet is one of a series which give a quick overview of the various things that you will need to take into account in setting up a new small charity.

They are NOT a full and comprehensive guide to Charity Law and all the associated regulations. They are just a simple overview of the main points for those who want to set up a small charity to serve their local community or to help those with a particular area of need. So if you are expecting your charity's annual income to be more than £150,000/yr, or to own property, or to employ more than the equivalent of 3 full-time staff then you should seek proper professional guidance elsewhere.

eg: The Small Charities Coalition Resources webpage: www.smallcharities.org.uk/resources/

For more information, see the Introduction leaflet to this series.

The topics covered in this series are:

- 1 **Outputs & Outcomes** *{This Leaflet}*
- 2: Charitable Purposes/Objects
- 3: Governing Document
- 4: Trustees & Officers
- 5: A "Minute Book"
- 6: A Bank Account
- 7: A Way of Recording & Managing Your Funds
- 8: A Business Plan & Risk Management
- 9: Policies & Procedures
- 10: Registering with the Charity Commission
- 11: Gift Aid Registration with HM Revenue & Customs
- 12: A Register of the Members of the Charity

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1: Outputs & Outcomes

1. Outputs & Outcomes

Outputs are what the charity is going to do;

Outcomes are what difference it will make (*ie*: how the beneficiaries AND the public will be better off as a result of the charity's activities);

The Charity Commission will expect you to make a clear distinction between your intended outputs of your charity and its intended outcomes.

And in deciding whether to register your proposed charity the Charity Commission will pay much more attention to what you have written for your outcomes than for your outputs.

Taking the setting up of a Youth Club as an example:

It will be insufficient just to say that you are intending to "run a youth club for young people in a deprived area of town" on the presumption that running a youth club will inevitably be a good thing, particularly in a deprived areas, and therefore needs no further justification.

Setting up a Youth Club is just the OUTPUT of what you are intending to do.

In addition, and more importantly, you will be expected to show what difference your proposed Youth Club will make – its OUTCOMES – not just to the immediate beneficiaries (*ie*: the young people who attend the Club) but also to the community at large – the people living in the immediate vicinity of your proposed youth club, the communities from which the members of your youth club come, and the wider public in general.

As none other than Lord Hailsham has pointed out, not all activities which appear to be charitable to "the ordinary person on the street" (*ie*: beneficial to those in need, and to the public in general) are recognised as being "charity" by charity law (and, in rare cases, rightly so)

If a youth club were to become a target for those with less reputable intentions – *eg*: drug dealers, or those looking to prey on the vulnerable young – its creation might actually DIS-benefit the intended beneficiaries by putting them at risk of exploitation by others. And if a youth club not only attracted undesirables into the area but created noise & hooliganism it would be a significant DIS-benefit to those living in its vicinity.

So, in assessing your application the Charity Commission will not be taken in by a superficial and over-optimistic view of what you think your charity will achieve. Instead it will be looking for an objective and well-researched appraisal of the "cons" as well as the "pros" of what your charity is intended to achieve AND how you will be able to demonstrate that it has achieved it.

The harsh reality is that, whilst your intentions are entirely honest, it is by no means as rare as one would hope for the Charity Commission to receive applications to set up charities which are, at best, gullible and at worst a deliberate attempt to exploit the privileged status of charities for personal gain. The Charity Commission is legally required to ensure that your application is not one such "inappropriate" application.

2. S.M.A.R.T

Knowledge is knowing that a tomato is a fruit,
Wisdom is not putting it in a fruit salad.
Miles Kington



In drawing up your Outputs and Outcomes it is a good idea to follow the well-established S.M.A.R.T criteria:

Specific; **M**easurable; **A**chievable; **R**elevant; **T**imely.

Specific:

You will need to be very clear and specific about not just what you are intending to do, but also what you are NOT intending to do if that is important to understanding your proposal.

So in defining what activities you are intending to do – your charity’s **OUTPUTS** – and who your primary beneficiaries will be, you should also be including specific criteria by which you will be able to decide what sorts of activities that you might think of doing in the future will, and will not, fall within the scope of your charity and who or what will, or will not, be eligible to be the beneficiaries of your charity.

Measurable:

In an increasingly “tick in the box” culture, how do you measure that smile of pleasure on the face of someone who has just received, or been enabled to do, something that they thought would be impossible; or the look of relief and release on the face of someone who has just received meaningful support, encouragement and reassurance in the midst of their despair and dejection?

There are the subsequent letters of appreciation, or the comments of others who have contact with the people who have been helped which remark on what a noticeable change has occurred. But such “indicators” are, by their very nature, very personal and subjective and impossible to attach to them any meaningful numeric value that one can “add up” to quantify whether this year’s outputs/outcomes were ‘measurably’ better or worse than last year’s?

Nevertheless, one has to do one’s best to come up with at least identifiable, even if not quantifiable, parameters of what the charity has been able to achieve with its donors’ money. Without that there is no way of demonstrating to your charity’s donors how you have actually been able to make good and effective use of the money they have given to you.

This will be dealt with in detail in the ‘Key Performance Indicators (KPIs)’ section of your charity’s Business Plan (see leaflet 8a: Business Plan in this series).

Achievable (and this includes **A**ffordable):

It is essential that you are able to show that you have “done your homework” and are able to demonstrate that the resources that you will need are both readily **A**vailable and affordable – and are available in sufficient quantities – as without them your plans will come to nothing.

You also need to be able to show that what you are planning to do is technically feasible and is not likely to be frustrated or obstructed by factors outside of your reasonable control – eg: if your proposed activities required the permission or cooperation of others that there was good reason to believe that such permission/cooperation would not be withheld.

Relevant (and this includes **R**ealistic):

When planning activities which have the intention to bring about a specific change it is also important to be able to produce reputable evidence that your activities are a reasonable, reliable and effective way of bringing about the intended change.

The nature of such evidence will vary considerably according to what it is your charity is intending to do. But as far as possible you should refer to the outputs and outcomes which

have been achieved by others working in related fields. This might be to the published outcomes of formal scientific or social research or, less formally, to newspaper/magazine articles about the activities of others. If your evidence is more anecdotal, relating to your own personal experiences or those of your friends/colleagues, you should try to be as specific and objective as you can. The Charity Commission is unlikely to be favourably impressed by a justification along the lines “*I and a couple of friends thought it might be a good idea*”, particularly if there are already other organisations in the area doing something similar.

For example: if your charity intended to provide a specific therapy to treat a specific condition, you would have to produce reputable medical evidence that the proposed therapy was an effective way of treating that condition, that any side-effects were acceptable in relation to the benefits of the treatment and that the therapy provided value-for-money benefits relative to any alternative methods of treatment that were already available.

Alternatively, if you have already been providing a local community service on an informal basis and now want to get it formally recognised as a charity to expand your fundraising potential and level of activity, you would need to be describing what it is you have already been doing, the number of people you have helped, why they needed your help (*ie*: what were you able to provide that wasn't otherwise available locally); what you difference (for your beneficiaries) you have already been able to achieve (ideally supported by some independent testimonials/references) and an indication of what it has cost so far.

Timely:

You need to be able to demonstrate that the timing of the charity's proposed activities is good in relation to:

- * the needs of the intended beneficiaries;
- * the needs of the general public;
- * geographical, climatic & political variables (these can change capriciously);
- * the availability of the necessary resources (human as well as financial & physical)

This includes the timescale for the delivery of the intended outcomes as well as for the setting up of the charity's programme of activities.

3. Defining the Outputs

You will need to demonstrate the unfilled NEED for your proposed activity – why it is necessary to create the activities (Outputs) that you are proposing? Simply asserting that, like “Apple Pie & Motherhood”, you believe that what you are planning to do is “good” will not be sufficient.



In assessing your application the Charity Commission will want to see evidence that you have ‘done your homework’ – *ie*: you have done a proper OBJECTIVE assessment not just of the need you are proposing to address but what other facilities – and, particularly, other charities – are already in place to address that, or similar, need.

To use a metaphor: if you are a gardener, watering a plant is an OUTPUT. It's what you do to achieve your objectives. To people in the UK, where rainfall can be very unpredictably variable, the need to water plants in dry weather is so simplistically self-evident that it seems ludicrous to have to even mention it, much less to justify it.

But to people who live in tropical rain-belt areas, or where monsoons annually flood large areas of land, the idea of having to water plants to keep them growing may seem equally ludicrous.

Much the same applies to defining charitable objects and what is necessary to achieve them, particularly if you are planning to work in areas where the needs, and ways of addressing them, are not necessarily familiar to most people. In such cases, undertaking activities which seem simplistically self-evident to you may appear to be ludicrously irrelevant to others.

As any successful business person or entrepreneur will tell you, having a clear idea not just of WHAT you want to do but HOW you are going to do it, so that you can successfully articulate to and convince others, is essential – particularly if you want to persuade others to join you and support your venture.

If other charities with similar objectives and meeting similar needs already exist the Charity Commission will want to know why you can't just join with them and contribute to their activities rather than setting up another new charity.

Websites like:

Guidestar UK – Small Charity Directory, <http://www.guidestar.org.uk/default.aspx>

Charity Choice, <http://www.charitychoice.co.uk/charities>

UK Small Business Directory, <https://www.uksmallbusinessdirectory.co.uk/category/Charities/>

are useful sources of information about other charities.

There might be several legitimate reasons why joining another charity is not appropriate. Other charities may be focused on specific geographical areas which do not overlap with your proposed area of activity in a way which would enable them and you take advantage of potential economies of scale.

Or you might be wanting to deal with a different aspect of a common need.

And if what you are proposing really is unique, being able to refer to the absence of any existing alternatives in the above directories will help to reassure the Charity Commission that you have “done your homework” thoroughly.

You will need to demonstrate that you have the capability to address the need in a way which is Efficient, Effective and Economic (the ‘3-Es’ for any successful business venture) and in a way which meets accepted best practice. It is not regarded as appropriate to allow charitable funds – donors’ money – to be frittered away ineffectively or on poor-standard activities.

4. Defining the Outcomes

The OUTCOMES of your charity – the beneficial changes that you will be making to the lives of, specifically, your beneficiaries and generally to the public at large are the most important part of your application in terms of determining whether or not your application will be accepted as registerable as a charity.

Extending the earlier metaphor of outputs being seen as watering plant pots:

If the pots contain no seeds, or are in a place which is too cold or dark for the seeds to grow, no amount of watering (output) is going to result in successful plant growth (outcome).



It might sound harsh, but the view generally taken is that, even if your charity will have “outputs by the bucketful”, if it cannot demonstrate any significant outcomes (*ie*: your outputs aren't changing anything – making life different and better for your beneficiaries and the public at large) they are an ineffective waste of donors’ money. So it is important that you describe your intended outcomes clearly, and provide credible evidence that they are achievable and identifiable.

It is particularly important that you can distinguish between the benefits that your charity's beneficiaries receive as individual and the benefit that your charity delivers to the public at large. Under UK charity law, it is the benefits delivered to the public at large which determine whether or not your activities will be legally ‘charitable’. In other words, if the benefits that you deliver to beneficiaries individually are of no consequence to the general public then your activities cannot be regarded as ‘charitable’ however much your individual beneficiaries appreciate them.

For a 'real life' example: If you and a group of friends decided to provide Christmas Lunch to some elderly or isolated folk who would otherwise have just spent a lonely day at home while others enjoyed the Christmas festivities that would, in all probability, NOT be regarded as 'charitable'. That is because, however much appreciated by those who received your Christmas Lunches it would have created no 'public benefit' because 'the general public' – all busy enjoying their own festivities, and therefore oblivious of your actions – would have received no 'benefit' from your generosity.

So, when defining your charity's proposed outcomes it is important that, in addition to describing how your individual direct beneficiaries will benefit you must also describe how the public at large will benefit. This will generally not be a problem if your charity's beneficiaries will be sufficiently numerous to be regarded as 'a significant section of the public' in their own right. But if you are setting up a small niche charity, dealing with a relatively small group of local beneficiaries (as with the Christmas Lunch activity), demonstrating the benefit to the general public as well as the benefits to the individuals can be very difficult.

You also need to bear in mind that while your charitable intentions may be well-justified, pragmatic and realistic, some charity applications do get made by well-intentioned, but hopeless unrealistic "pie in the sky" "do-gooders" with minimal chance of actually achieving the proposed outcomes for the public benefit. And at the other end of the scale, there are, unfortunately, some people who see setting up a charity or social enterprise as a way of exploiting people's gullibility to get them to give money to what are presented as "worthy causes" but, in reality, are just unscrupulous "get rich quick" schemes.

So, in assessing applications, the Charity Commission has an obligation to satisfy itself that your proposed outputs are realistic and cost-effective/efficient and that your outcomes are both achievable "for the public benefit" from your proposed outputs and represent "value for money" for the donors (*ie*: are **S.M.A.R.T.**).

5. Having a Business Plan

When applying to register your charity the Charity Commission will require you describe and justify in some detail what your proposed Outputs & Outcomes will be. The questions asked in the on-line application form are detailed in Guidance Leaflets 10 in this series.

Only charities with an annual turnover greater than £25,000/year, and all Charitable Incorporated Organisations (CIOs), are required to produce an Annual Trustees' Report & Financial Statements for submission to the Charity Commission. But ALL registered charities, regardless of annual turnover, are required to produce accounts and a Trustees' Annual Report which can be made available to anyone who reasonably requests it.

Guidance Leaflets 7 in this series describe in more detail what the Trustees' Annual Report & Financial Statements should contain. That includes a description of what the charity's outputs and outcomes have been for the year and how well those outputs & outcomes matched what the charity had expected to achieve (and explanations of any differences, favourable as well as unfavourable).

Having a good, coherent Business Plan is essential both to making sure that the charity works together to achieve its goals during the year and is able to demonstrate credibly what it had been able to achieve. Most donors will expect a charity to produce a realistic Business plan, with credible outputs and outcome, before they will make donations.

The process for creating a Business Plan is outlined in Guidance Leaflet 8 of this series.

6. Some Useful Links

Note: These links were checked and worked when this leaflet was produced.

Unfortunately, websites are constantly being updated, changed, moved or deleted – so it is possible that by the time you come to use the link it no longer works properly.

If that is the case, we apologise and would appreciate it if you would let us know of that problem (by e-mailing us at Leaflets@smallcharitysupport.uk) so that we can try to correct it.

We have included the following in the hope that you might find them useful for your particular situation. They are NOT a recommendation or endorsement of what the links have to say or offer.

How to Talk About Nonprofit Impact from Inputs to Outcomes

<https://www.thebalance.com/inputs-outputs-outcomes-impact-what-s-the-difference-2502227>

Understanding inputs, outputs and outcomes

National College for Teaching & Leadership

<https://www.nationalcollege.org.uk/transfer/open/adsbm-phase-5-module-5-managing-strategic-finances/adsbm-p5m5-s3/adsbm-p5m5-s3t2.html>

GUIDANCE ON EVALUATING THE IMPACT OF INTERVENTIONS ON BUSINESS

Department for Business Innovation & Skills

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/212318/11-1085-guidance-evaluating-interventions-on-business.pdf

PQASSO

PQASSO covers all aspects of an organisation, from governance to service delivery and monitoring outcomes. PQASSO's flexibility means it can be used by all types of third sector organisations, including charities, social enterprises, community interest companies and community groups.

<http://www.ces-vol.org.uk/PQASSO/>

The Good Analyst: Impact Measurement and Analysis in the Social-purpose Universe

Adrian Hornsby

Available from Amazon

Outcomes Toolkit

<http://outcomestoolkit.com/>

ASCOT: Adult Social Care Outcomes Toolkit

Personal Social Services Research Unit, The LSE, University of Manchester, Kent University

<http://www.pssru.ac.uk/ascot/>

Outcome measurement – what does successful reablement look like?

Social Care Institute for Excellence

<http://www.scie.org.uk/publications/guides/guide49/measuringoutcomes.asp>

From Your Business Plan

The following shows how your Outputs & Outcomes are related to the main headings in a typical Business Plan (see leaflets 8a: Business Plan & 8b: Risk Management in this series).

1. What the Organisation Does

- 1 1 Our Vision
- 1 2 Our Mission Statement {Outcomes}
- 1 3 Our Values
- 1 4 Our Activities {Outputs}

2. Background & Achievements to Date

3. Our Goals

- 3 1 In the Next Year {Outcomes}
- 3 2 In the Next 2-5 Years {Outcomes}

4. The Public Benefit Need

- 4 1 What is the Public Need? {Outputs}
- 4 2 Who Will Benefit from the Organisation's Activities? {Outcomes}
- 4 3 How Will They Benefit? {Outcomes}
- 4 4 What Similar Services Are Currently Available? {Outputs}
- 4 5 What is the Unfulfilled Need? {Outputs}
- 4 6 How the Organisation Will Integrate with Other Activities/Providers? {Outputs}

5. Performance Monitoring

- 5 1 Key Performance Indicators {Outputs} & {Outcomes}
- 5 2 Measurement of KPIs {Outputs} & {Outcomes}
- 5 3 Reporting of KPIs {Outputs} & {Outcomes}

6. Promotion and advertising

- 6 1 How & Where You Will Promote Your Activities/Services {Outputs}

7. Managing Risks

- 7 1 For each identified risk: {Outputs} & {Outcomes}
 - Nature of risk (including specific location, if relevant);
 - Who is affected by the risk
 - Impact: Likelihood:
 - Mitigation: (What is being done to reduce the risk);
 - Monitoring: (Ensuring that the mitigations are in place and working)

8. Running the Organisation

- 8 1 Management
- 8 2 Resources
- 8 3 Policies & Procedures

9. Fundraising Strategy

- 9 1 General Funds
- 9 2 Restricted/Projects Funds
- 9 3 Primary Purpose Trading
- 9 4 Other Permitted Trading