

Accounts Count

File accounts late with the Charity Commission and you may pay the price

Raising money from grant making trusts and foundations can be tough. As previous reports from the Directory of Social Change have shown, many trusts are receiving thousands more applications than they could ever hope to fund, and around three in four applications to trusts are unsuccessful.

Our report *Ineligible Applications* has shown that 36 % of applications received by trusts were ineligible, so applicants can improve their chances of success simply by ensuring they meet the basic eligibility criteria laid out by funders before they make an application. We wanted to look at whether there were any other really simple ways that charities can increase their chances of success when applying for funding from grant making trusts.

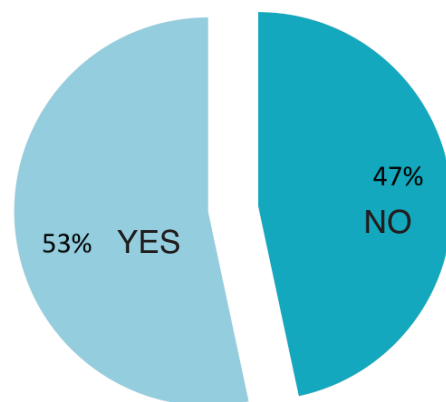
Following a plea from the Charity Commission in early 2013 for charities to make sure they are filing their annual reports and accounts on time, we decided to ask grant making trusts whether they made use of the Commission's website as part of their assessment process, and if so, whether a red flag (indicating that accounts were overdue), would deter them from making a grant.

Here's what they told us...

Funders are checking your Charity Commission record

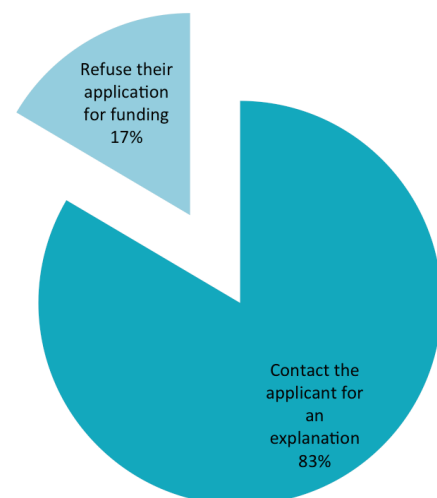
When assessing grant applications, do you check applicants' filing history on the Charity Commission website?

53 % of grant makers said YES



You may be rejected if you do not submit accounts on time

If the applicant's accounts are overdue what do you do?
17 % of grant makers would refuse an application



In their own words...

Most of the grant makers' comments clarified that late accounts may not be either completely permissible, nor provoke a straightforward refusal; rather late filing is taken in the context of the entire application:

"Consider it along with other information when assessing risk"

"Information is used with other data to take a view on how well managed the charity appears to be [...] would not automatically disqualify an application but would certainly not help."

"The application will not be automatically refused but it will flag up concerns, and will not make a positive impression on Trustees"

Some trusts were more strict about late accounts:

"We will refuse an application if there is no reasonable explanation. We do this because it is prima facie evidence of poor management which may indicate that the organisation will not manage the grants we make effectively and also because the CC has asked us grant makers to exercise leverage."

"As a general rule we would refuse their application for funding"

"If the applicant hasn't unduly impressed us, we'll just refuse their application as we have plenty"

Make it easy for the grant makers

When comparing the results to the total amounts given annually by the trusts, we found that the larger the funder, the less likely it is that your application is automatically rejected if you have filed late. This suggests that the smaller funders don't have the resources to undertake extra investigations, which the funders' comments supported: *"As a small trust there is not sufficient time to contact applicants to discuss their filing history."*

We also found that the second largest funder we surveyed, the Lloyds TSB Foundation for England and Wales, rejects applications if their report and accounts are overdue, through its eligibility criteria. That's a huge amount of money each year available just from one funder that a charity is automatically denied if their accounts are not filed on time.

No Excuses!

Research by the Charity Commission has shown that it is not necessarily charities in financial difficulties that are filing their accounts late; 35 % of the late accounts examined had in fact been prepared and signed in good time, but just not submitted. What's more, 39 % of the late filers had managed to submit their accounts to Companies House on time. Accounts and annual reports can be submitted by charities themselves using Charity Commission online services.

Aside from the trusts and foundations, charities should not forget about their other funders and supporters – the general public can also access charity records on the Charity Commission website.

Recommendations

Charities: File your accounts on time! It's a legal requirement. You might not know how much this is affecting your funding; make it as easy as possible for the funders to say 'yes'.

Funders: If you reject an application due to late accounts, mention this in your application process and inform the applicant of the reasons if possible, to save your time and theirs in the future.

"Trustees should realise that filing their accounts late reflects badly on the reputation of their charity, can be an obstacle to fundraising and it undermines public trust in the sector. This is an avoidable problem that the non-compliant charities need to get to grips with."

Neville Brownlee, Head of First Contact, Charity Commission

About the Directory of Social Change

The Directory of Social Change has a vision of an independent voluntary sector at the heart of social change. For several decades DSC has published research on the funding programmes of trusts and foundations, companies and government agencies and this has consistently championed the cause of greater transparency in the information funders provide.

For more information on DSC's research see www.dsc.org.uk/policyandresearch/research