



Consultation

Annual return for 2015 - information collected from charities

Introduction

In 2012 we reviewed the information we collected from registered charities through the annual return and at registration, and the principles that underpin our approach to information collection and display. We undertook a consultation to seek views from charities and others with an interest in the register of charities on the information we collect from charities and make publicly available on the register. We used the findings of the consultation to inform changes to the content of the annual return for 2013.¹

We also used these consultation findings, together with the recommendations on information made by Lord Hodgson in his report on the review of the Charities Act 2006, to develop a longer term information strategy for the information we collect through the annual return from 2014. In the summer of 2013 we carried out a consultation on adding some new questions to the annual return for 2014, and adding to the information we publish on the register of charities.

As a result of this consultation we introduced a number of new questions to the annual return for 2014². We also removed the requirement for charities with an annual income of £1million and above to complete the Summary Information Return (SIR).

We have continued to focus on what information we need to collect through the annual return to become a more effective regulator and on how we can make better use of the information we collect. We have developed a number of proposals for changes to the annual return for 2015, which include asking some additional questions and also asking for some basic financial information through the annual return from charities with incomes of between £10,000 and £500,000.

1 We made the following changes to the annual return for 2013:

- Previously voluntary questions on overseas activities and the number of volunteers became mandatory
- Asking the following two new questions:
 - Is the charity recognised by HMRC for Gift Aid
 - Whether the charity owns or leases any land or buildings and whether any of the charity's land or buildings is used for the charity's purposes.

2 Details of the new questions included in the annual return for 2014 are set out in the [analysis of consultation responses](#).

Why are we consulting?

We are committed to promoting the accountability of charities to donors, beneficiaries and the general public by maintaining an accurate register and by publishing on our website accessible information about all charities registered and regulated by us. We are seeking views on a number of significant proposals about the information we collect through the annual return and publish on the register of charities. We are consulting now so that any decisions we take that affect the content of the annual return, and our online support for it, are made in time for the annual return for 2015.

What are we consulting on?

The annual return is a regulatory requirement and the information we require and obtain from charities is one of the most valuable tools we have for regulation. We are looking at ways in which we can make better use of the annual return to obtain the most useful information, and to hold it in an electronic form which we can then use to verify the information and identify any issues which require closer examination.

In considering how we can make better use of the annual return we need to balance the need for any new information we ask for with the need not to create an undue additional burden on charities that are required to complete the annual return, keeping any additional questions we ask to a minimum and only asking for information which we will use.

We are consulting on proposals for the information we collect through the annual return from 2015 onwards. These include:

- adding some new questions to the annual return for 2015 to help support the Commission's regulatory work and to increase the accountability and transparency of charities
- asking charities with an income of between £10,000 and £500,000 (and all CIOs regardless of income) to provide us with some key financial information through the annual return³ (we currently only require charities with an income of £500,000 and above to provide detailed financial information in the annual return)

We are also using this opportunity to make charities aware that, although we do not have any firm proposals, we are exploring how we might develop our processes to verify the identity of trustees, both when a charity is registered and when new trustees are appointed to an existing charity.

What we are not consulting on

We are not consulting on the detailed financial information we collect through the annual return from those charities with an income of more than £500,000 a year. However there will be changes to this in the future as a result of the changes being introduced in the new SORP, which will come into effect in January 2015. We will make the necessary changes to the financial information section of the annual return for 2016.

³ Currently all charities that are required to complete the annual return must provide us with details of their financial year end and a figure for their income and spending for the year.

Who do we want to hear from?

We particularly want to hear from registered charities that complete the annual return. We would especially like responses from charities with an income of between £10,000 to £500,000, who will be affected by the proposals to ask for key financial information from charities in this income range.

We also welcome views from anyone who uses the register and has an interest in the information we collect and publish about charities.

How, where and when to send comments on this consultation

You can respond to this consultation by completing an online survey, which includes all the questions asked in the consultation document and also gives you the opportunity to provide any additional comments you may have:

- [Complete online survey](#)

If you would prefer to email your response directly to us, it should be headed '**Content of the annual return for 2015**' and sent by email to:

informationstrategy@charitycommission.gsi.gov.uk

Please provide us with the following standard information, in the order listed below, as part of the introduction to your response. This will allow us to manage the responses and use the information more effectively as well as enabling us to keep you up to date with progress.

- organisation/charity name (if applicable)
- charity number (if applicable)
- contact name
- position within organisation (if applicable)
- contact number, address and email
- confidentiality statement (if applicable – see following section)
- consultation response/answer to consultation questions

Where appropriate we encourage you to provide evidence in support of your response. If you are a representative group, please provide a summary of the people and organisations you represent as part of your response.

The closing date for responses to this consultation is Tuesday 12 August 2014.

How we will treat the information provided

All information contained within the responses (including personal information) may be published or disclosed in accordance with the access to information regime, primarily set out in the Freedom of Information Act 2000, the Data Protection Act 1998 and the Environmental Information Regulations 2004.

If you want information given in response to the consultation to be kept confidential it will only be possible to do so if it is consistent with our legal obligations. There is a statutory Code of Practice under the Freedom of Information Act 2000 which public authorities must comply with. This sets out how confidential information must be dealt with. We cannot give assurances that all information will be kept confidential but we will take into account any representations made by you.

If you object to any of the information (including your personal details) which you are giving in response to the consultation being published, please say so. It would be helpful for any such objections to be supported with an explanation of why you regard the information to be confidential so that a decision can be made as to whether there are grounds for not publishing the information.

What will happen at the end of the consultation period?

We will take into account the comments we have received by the end of the consultation period and these will help inform the decisions we make about the information we collect from charities through the annual return from 2015 onwards.

Further information

If you have any further queries about this consultation, please contact:

informationstrategy@charitycommission.gsi.gov.uk

Proposals for the annual return for 2015

Proposals for asking for additional information from all charities that complete the annual return

All charities that complete the annual return are required to provide us with the information in the 'charity information' section of the annual return. We are proposing to add some questions to this part of the annual return for 2015.

Recommendations made by the Public Administration Select Committee and accepted by Government on expenditure on campaigning activity and income received from i. public service delivery and ii. private donations

In September 2013 in its response to the Public Administration Select Committee's (PASC) report⁴, the Government recommended that:

"The Charity Commission requires charities to declare in their annual returns how much of their spending has gone on political and communications work"

and

"That the Charity Commission requires charities above the current registration threshold, to declare on their annual returns how much of their income in the previous year was received from public or government sources in either grant income, or other forms of remuneration, and how much was received in the form of private donations."

We have considered these recommendations and think that it would help improve the accountability and transparency of charities if we asked for this information to be answered by all charities that are required to submit an annual return. We are proposing to add the following questions to the annual return for 2015:

How much of your charity's total expenditure has been on campaigning activities?

How much of your charity's income was received from:

- public service delivery
- private donations

If we introduce these new questions we will provide clear definitions and guidance to help charities provide this information.

We recognise that if we do introduce these questions to the annual return it may create additional work for some charities to provide this information. We would welcome views on whether we should ask for this information through the annual return and if so, whether this should be introduced in the annual return for 2015 or delayed until 2016 to allow charities time to prepare for providing this information.

4 The Public Administration Select Committee's Third Report of 2013-2014: *The role of the Charity Commission and 'public benefit': post legislative scrutiny of the Charities Act 2006*, PASC, July 2013.

Q1 Do you agree with the proposal to introduce a question into the annual return to ask how much of a charity's total expenditure has been on campaigning activities?

Yes/No

If you disagree it would be helpful if you could give the reasons why.

Q2 Do you agree with the proposal to introduce a question to the annual return to ask how much of a charity's income was received from:

- public service delivery
- private donations?

Yes/No

If you disagree it would be helpful if you could give the reasons why.

Q3 If we did introduce the questions set out above is it feasible for charities to provide this information for the annual return for 2015, or should we wait to introduce the question in the annual return for 2016?

Proposals asking for additional information to help improve good practice and the accountability and transparency of charities

As part of the review we carried out in 2012 on the information we collect through the annual return, we clarified that the primary purpose of the annual return should be to help the Commission carry out its regulatory work, and that its secondary purpose is to provide information to the public.

We followed these principles when we developed the new questions for the annual return for 2014 and in developing the proposals for the annual return for 2015.

Policy on paying executive staff

We are proposing to ask whether or not charities have a remuneration policy for paying their executive staff. The intention behind this proposal is to encourage charities that don't have a remuneration policy to consider introducing one. We believe this would help to encourage good practice, promote accountability and demonstrate our support for the general principle of encouraging an open and transparent approach to executive pay. We would add to the existing question on written policies that a charity has (this question was introduced in the annual return for 2014). Charities would simply need to tick yes or no to indicate whether or not they have a remuneration policy and, if they do, this information will appear on the charity's register entry. We would only be using this question to ask whether a charity has a remuneration policy. We would not be asking for information on how much senior staff are paid.

Q4 Do you agree with the proposal to ask whether a charity has a written policy on remuneration of executive staff?

Yes/No

If you disagree with the proposal it would be helpful if you could say why

Review of financial controls

Internal financial controls are essential checks and procedures that help charity trustees:

- meet their legal duties to safeguard the charity's assets;
- administer the charity's finances and assets in a way that identifies and manages risk; and
- ensure the quality of financial reporting, by keeping adequate accounting records and preparing timely and relevant financial information.

We recommend that trustees should, at least annually, ensure that a review is conducted of the effectiveness of the charity's internal financial controls.

To promote good practice, we are proposing to add a question to the annual return for 2015 to ask whether a charity has carried out a review of its financial controls during the reporting year.

Q5 Do you agree with the proposal to introduce a question into the annual return for 2015 to ask if a charity has carried out a review of its financial controls during the reporting year?

Yes/No

If you disagree with the proposal it would be helpful if you could say why

Additions to the annual return for 2015 we are not consulting on

In the annual return for 2014 we introduced a new question asking whether a charity is regulated by or registered with the following regulators:

- Ofsted
- Care Quality Commission
- Home and Communities Agency
- Financial Conduct Authority

For the annual return for 2015 we will expand this list to include the following Welsh equivalent bodies:

- Her Majesty's Inspectorate for Education and Training in Wales (Estyn)
- Care and Social Inspectorate Wales (CSSIW) (Arolygiaeth Gofal a Gwasanaethau Cymdeithasol Cymru (AGGCC))
- Healthcare Inspectorate Wales (HIW) (Arolygiaeth Gofal Iechyd Cymru (AGIC))
- Welsh Government (Llywodraeth Cymru) which regulates social landlords and housing associations

Requiring charities with incomes between £10,000 and £500,000 to provide key financial information through the annual return

At present all charities that are required to submit an annual return⁵ must provide details of their financial year end and their income and spending in the annual return, and those with an income of more than £25,000 must also submit their Trustees Annual Report and accounts. However, only those registered charities with an income of more than £500,000 (10,231 charities) are required to provide us with more detailed financial information through the annual return. This information is shown on the charity's register page through the graphs and pie charts.

For those charities with an income of between £10,000 and £500,000 (75,535 charities), which are currently not required to provide financial information through the annual return, there is little financial information shown on the charity's register entry. Anyone wanting more detailed financial information, including the Commission, needs to look at the charity's accounts.

In order to support our regulatory effectiveness we would find it helpful to collect some key financial information from those charities with incomes of between £10,000 and £500,000 through the annual return. By collecting it in an electronic format we will be able to use the information to help us analyse data and identify risk in charities. The information will also appear on a charity's register page, increasing transparency and accountability and providing more easily understandable information for the public. We have produced [an example](#) of how this information may appear on the public register.

In the annual return for 2015 we are proposing to ask those charities with an income of between £10,000 and £500,000, and all CIOs with an income of £500,000 or less, to provide us with the following information:

Income

- Voluntary income (this includes income such as gifts and legacies, tax reclaimed on Gift Aid donations, grants, which are not related to providing agreed volumes of goods or services and membership subscriptions)
- Income from investments
- Remaining income not analysed elsewhere
- Total income including gifts of endowment

Spending

- Spending on charitable activities
- Spending on raising funds
- Remaining spending not analysed
- Total spending

⁵ Charities with an annual income of £10,000 or more and all Charitable Incorporated Organisations (CIOs) regardless of income are required to submit an annual return.

- It is our intention, over time, to increase the amount of financial information we ask for from charities with incomes below £500,000. However, before we ask for more information, we will develop the tools to assist charities provide this information easily. This will include revising the receipts and payments and accruals accounts packs (CC16 and CC17).

Q6 Do you agree with the proposal to ask charities with incomes of between £10,000 and £500,000 to provide some key financial information through the annual return?

Yes/No

If you disagree it would be helpful if you could say why.

Future changes to the way in which we verify the identity of charity trustees

When an organisation applies to register as a charity or when a new trustee is appointed to an existing charity we ask for the following basic information about the trustees:

- full name (including any former names)
- date of birth
- home address

Only the names of the trustees are shown on the public register.

We ask for this information to enable us to carry out checks to confirm the identity of trustees. However, we currently do not ask for any information which allows us to independently verify the identity of trustees.

We are working with a number of other organisations to explore how we might develop our processes for verifying the identity of individuals acting as charity trustees, such as making use of the Government Identity Assurance Service. This is a new service that will give people a secure and convenient way to sign into government services. You can find more information on the [Gov.uk](https://www.gov.uk) website.

We do not yet have any firm proposals, however we feel it is important for charities and trustees to be aware that this is an issue we are actively considering.