



Annual return for 2015 – information collected from charities

Analysis of consultation responses and changes to the annual return for 2015

Introduction

On 17 June 2014 we published a consultation seeking views on proposals for changes to the information we collect from charities through the annual return from 2015.

The consultation set out a number of significant proposals for changes to the information we collect through the annual return and publish on the register of charities. You can see the full consultation [here](#).

In summary we consulted on proposals to introduce additional questions to the annual return for 2015 to ask:

- How much of a charity's total expenditure has been on campaigning activities
- How much of a charity's income was received
 - As payment under contract to deliver public services
 - As private donations
- Whether a charity has a policy on paying executive staff
- Whether a charity has carried out a review of its financial controls

We also consulted on a proposal to ask charities with an income of between £10,000 and £500,000 to provide some key financial information through the annual return.

The consultation ran for 8 weeks and we received a total of 265 responses, 228 via an online survey and 37 by email. The number of responses does not fully reflect the level of engagement by charities as many were from umbrella charities responding on behalf of their membership.

During the consultation period we also held meetings with a number of key sector bodies to discuss the proposals. You can see a list of respondents to the consultation together with [details of the organisations we met here](#). We are grateful to all those who took the time to respond to the consultation and to meet with us.

We have now considered the responses and decided on the changes to the annual return for 2015. You can see a [summary of the changes here](#).

We are now carrying out the technical development work to produce the annual return for 2015, as well as making the necessary changes to enable us to display the additional information on the register of charities. We are also taking this opportunity to review the existing guidance that accompanies the annual return and to make amendments as a result of the feedback we have received from charities that have already completed the annual return for 2014.

We will let charities know about the changes to the annual return for 2015 through our website, CC News and our partnership network.

Summary of changes to the annual return for 2015

For the annual return for 2015 we will introduce three new questions to be answered by all charities that complete the annual return.

The questions are:

- In the reporting period how much income did you receive from:
 - Contracts from central or local government to deliver services
 - Grants from central or local government
- Does your charity have a policy on paying its staff?
- Has your charity reviewed its financial controls during the reporting period?

We will produce guidance to accompany these new questions.

Responses to consultation questions

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?

Number of responses to this question: 255

141 agreed with the proposal whilst 114 disagreed. However, of those respondents who agreed, a number qualified their response by saying that if we were to introduce a question to ask how much of a charity's total expenditure had been on campaigning we would need to produce very clear guidance on what we wanted from charities.

Although the majority of respondents to this question were in favour of the proposal, a number of organisations representing members, such as ACEVO, NCVO and NAVCA were strongly opposed to this proposal.

What you said

- Don't disagree in principle and would be happy to provide the information, provided there is a very clear definition of campaigning
- This should be clear from the accounts filed
- If you want to collect this information, it should be done through SORP and the Committee should be asked to consider it when SORP is next reviewed
- There would need to be a clear definition of campaigning
- It would be difficult to quantify. It would be a complex and time consuming exercise and not sure what value the information will be
- It would impose an additional administrative burden on charities, especially the smaller ones
- Charities may provide a "guesstimate" so the information will be meaningless
- If the information is collected through the annual return and published on the register of charities it could be taken out of context and could be misinterpreted if it is shown in isolation
- It is not clear how collecting this information through the annual return will enable the Charity Commission to be a more effective regulator

What we have done

We have decided that we **will not** introduce a question on campaigning costs into the annual return for 2015.

We recognise that introducing a question in the annual return for 2015 to ask how much of a charity's expenditure has been on campaigning would be difficult in the time available. The quality of the information would depend on charities understanding what is wanted. There would need to be very clear definitions and guidance and charities would need to have sufficient time to prepare.

We believe that collecting and publishing information on campaigning carried out by charities would help improve transparency by showing how charities operate to carry out their purposes and we think that it merits further consideration. We will carry out further work to explore whether or not we should include a question on campaigning in the annual return for 2016.

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:

- i Public service delivery**
- ii Private donations**

Number of responses to this question: 255

172 respondents agreed with the proposal whilst 83 disagreed. Of those respondents who agreed with the proposal, a number qualified their response by saying that we would need to make clear what we mean by public service delivery.

What you said

- In principle the proposal is sensible, provided there are clear definitions
- The question should be widened to include asking about grant income
- If we introduce the proposal we would need to provide clear guidance on what we mean by public service delivery
- This proposal has already been considered and rejected by the SORP Committee
- This would be unduly burdensome for smaller charities
- It is not clear what the information would be used for
- Asking just for income from these two sources would not give a clear picture of charities' income and could be misleading

What we have done

We **will** introduce a question into the annual return for 2015 to ask:

In the reporting period how much income did you receive from:

- Contracts from central or local government to deliver services
- Grants from central or local government

We have taken into account the responses we received and have refined the question to ask about income received under contract from central or local government to deliver services to the public, and grants received from central or local government. We will provide clear definitions in guidance on what we mean by public services and by grants.

We believe that asking for this information and publishing it on the register of charities will allow the public to see at a glance whether a charity has funding from the government under contract to deliver services to the public or has received a grant and will help improve the public understanding of how charities are funded. For those charities that receive income from these sources, we will display the answers to these questions as a proportion of a charity's total income.

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?

Number of responses to this question: 241

Of the respondents to this question, 97 thought that if we did introduce the questions into the annual return that it would be feasible for charities to provide the information in the annual return for 2015, whilst 144 thought we should wait until the annual return for 2016.

What you said

- This information should be readily available to charities
- We could consider piloting the questions/guidance
- We could introduce the questions on a voluntary basis for the annual return for 2015
- We should wait until 2016 to allow charities, particularly smaller ones, to put the systems in place to collect the information

What we have done

We have taken the decision not to introduce a question on campaigning costs and have refined the question on income received from public service delivery. We believe that it is reasonable to introduce this question into the annual return for 2015, and that providing the information should not significantly increase the time it takes for charities to complete the annual return.

We will produce clear guidance for charities on what information is required.

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

Number of responses to this question: 248

179 respondents agreed with the proposal to introduce a question to ask whether a charity has a written policy on the remuneration of executive staff whilst 69 disagreed.

What you said

- Question would be inappropriate for small charities, many of whom don't have staff
- The question should be reworded so that a response, and a policy, is only needed where the charity has paid staff
- Some charities may not have a written policy but will have robust procedures in place
- What do you mean by executive staff?
- Ask about all staff, not just executive staff

What we have done

We **will** introduce a question into the annual return for 2015 to ask whether a charity has a written policy on paying staff.

We have considered the responses to this question and agree that it is of more value to ask about all staff rather than just executive staff.

We believe that asking this question in the annual return and publishing the information on the register of charities will help improve accountability to the public. We will signpost to good practice guidance and model policies on paying staff.

Q5. Do you agree with the proposal to introduce a question to the annual return for 2015 to ask whether a charity has carried out a review of its financial controls?

Number of respondents to this question: 248

175 respondents agreed that we should introduce a question to the annual return for 2015 to ask whether a charity has carried out a review of its financial controls, whilst 73 disagreed.

What you said

- This is something that charities should be doing anyway
- Not all charities will carry out a financial review every year, although they may keep them under regular review, so asking this question could provide a misleading picture. May need to consider re-wording the question
- If we introduce this question it should be supported by clear definitions and checklists
- Simply asking the question that provides a yes/no answer may provide misleading information. It is important that internal financial controls not only exist but are applied

What we have done

We **will** introduce a question to the annual return for 2015 to ask if a charity has reviewed its financial controls during the reporting period, rather than ask if a charity has carried out a review.

The majority of respondents were in favour of introducing a question to ask whether a charity has carried out a review of its financial controls. Some respondents pointed out that not all charities carry out a formal review every year but keep financial controls under review. We believe that asking this question will help alert charities to good practice and improve the transparency and accountability of charities.

In the guidance to accompany the question we will signpost charities to our guidance on internal financial controls and to a checklist for charities to use.

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?

240 responses to the question

Of the respondents to this question 133 agreed with the proposal whilst 107 disagreed.

Some of the respondents who disagreed that we should ask for this information qualified their response by saying that it might be appropriate to ask for this information of charities with incomes over £25,000 or over £250,000, but that asking for the information from all charities with an income between £10,000 and £500,000 was disproportionate and burdensome.

What you said

- £10,000 is too low. This will place an unfair burden on the smaller charities
- There is a vast difference between charities with an income of £10,000 and those with an income of £500,000
- The lower limit should be £25,000 in line with the threshold for submitting accounts to the commission
- We would need to provide clear guidance on what information we want charities to provide and should give charities time to prepare to provide us with the information

What we have done

We have decided that we **will not** introduce a question into the annual return for 2015 to ask for key financial information from charities with incomes between £10,000 and £500,000. We recognise that asking for this information through the annual return would have a significant impact on charities, particularly those with smaller incomes and that if we were to ask for the information through the annual return we would need to provide very detailed guidance and support and allow charities time to prepare for providing the information.

We will continue to work towards introducing a technical solution that will allow charities to submit financial information in a way that will allow us to display and use that information more easily to help regulate more effectively.