

## The Charities (Annual Return) Regulations 2015; Guidance promoting charities' financial resilience; The Essential Trustee (non-statutory guidance)

### The Charity Commission

RPC rating: **validated**

This opinion covers three small measures; for each, a brief description of the change, its impacts and the quality of the submission is given in the table below.

Measure	Description	Impact	Quality of submission
4146 - The Charities (Annual Return) Regulations 2015  1 January 2016	The Charity Commission has added three new questions to its annual return (which seeks to ensure accountability to the regulator). The aims of the additional questions are to support proactive identification of any regulatory interventions that may be needed and to increase accountability to the public by publishing accessible and accurate information.  Two of the questions were simple yes/no questions and the third related to an amount the charity also had to provide in its accounts.	The assessment explains that 93,000 registered charities were affected. The new questions are straightforward and relate to information the charity should already have on hand. The regulator expects a unit cost of not more than £1 per charity, based on its assumption that completing the questions should take no more than 10 minutes. The maximum total direct cost to charities would therefore be £93,000 (rounded to £100,000) for each of the three years during which the questions would be used.  The regulator also highlights some indirect, non-financial benefits as a result of increasing the accountability and transparency of charities.	The regulator has provided a sufficient level of evidence for the RPC to be able to validate an EANDCB of £0.097M.

Opinion: EANDCB validation  
 Origin: domestic  
 RPC reference number: RPC17-CO-CC-4146/4147/4148  
 Date of implementation: see table

Measure	Description	Impact	Quality of submission
<p>4147 - Guidance promoting charities' financial resilience</p> <p>1. 16 March 2017            2. 16 March 2017            3. 1 August 2016            4. 7 June 2016            5. 29 January 2016            6. 29 January 2016</p>	<p>In response to public criticism, the Charity Commission has reviewed 6 of its guidance documents on fundraising. The regulator argues that the revised guidance helps charities to plan and mitigate financial risk more effectively by clarifying existing regulatory requirements; it does not place any additional regulatory burden on charities. The guidance documents affected are:</p> <ol style="list-style-type: none"> <li>1. Charity finances: trustee essentials (CC25);</li> <li>2. Charity governance, finance and resilience: 15 questions trustees should ask;</li> <li>3. Charities and investment matters: a guide for trustees (CC14);</li> <li>4. Charity fundraising: a guide to trustee duties (CC20);</li> <li>5. Managing a charity's finances: planning, managing difficulties and insolvency (CC12); and</li> <li>6. Charity reserves: building resilience (CC19).</li> </ol>	<p>The assessment explains that all charities in England and Wales may be affected in principle, but relatively small numbers need to make use of the guidance in practice; the guidance is permissive and each document will only be relevant to charities dealing with a specific issue. There are 167,000 registered charities in England and Wales and the NAO estimates that another 200,000 are unregistered.</p> <p>The regulator notes that:</p> <ul style="list-style-type: none"> <li>• CC25 is relevant to all charities (though it is not compulsory);</li> <li>• The other guidance documents will only be relevant to charities dealing with specific issues. The regulator uses page view data to estimate the numbers of charities affected in each case, ranging from 2286 to 17,600;</li> <li>• All the documents except CC20 include only minor changes of a few hundred words at most. CC20 has a completely different focus (in comparison to the old version) and has been reduced in scale. The regulator has therefore quantified only the impacts of the changes to CC20, on grounds of proportionality. It estimates, using standard assumptions about salaries and reading speeds, that the net one-off saving as a result of this reduction will be £307,015;</li> <li>• The change in focus may impose</li> </ul>	<p>The regulator presents sufficient evidence to support its proposed BIT score of £0; it would have been helpful if the regulator had been able to estimate familiarisation and training costs for CC20, but given the permissive nature of the guidance the RPC is able to validate this figure. The Committee is pleased to see the regulator's use of consultation to test its understanding of the benefits of the guidance.</p>

Opinion: EANDCB validation  
 Origin: domestic  
 RPC reference number: RPC17-CO-CC-4146/4147/4148  
 Date of implementation: see table

Measure	Description	Impact	Quality of submission
		<p>familiarisation and training costs on some charities; based on consultation the regulator expects these to be small. It has not been able to monetise them.</p> <ul style="list-style-type: none"> <li>• There will be benefits to charities as a result of improved financial assurance and public confidence; the regulator does not monetise these but presents qualitative consultation evidence to suggest that charities found the guidance useful and recognise this benefit.</li> </ul>	
<p>4148 - The Essential Trustee (non-statutory guidance)  10 July 2015</p>	<p>The Charity Commission has updated its core guidance for charity trustees. The updates make clear the duties of trustees and emphasise the level of minimum good practice. The Charity Commission updated the guidance based on consultation feedback.</p>	<p>The assessment explains that all charities in England and Wales may be affected, though it expects that only the most engaged trustees (33-50% of the whole) will familiarise themselves with guidance. There are 167,000 registered charities in England and Wales and NAO estimates another 200,000 are unregistered. Some, but not all, charities are legally required to register with the Commission. The guidance does not change the legal duties of charity trustees, but sets them out more clearly. The regulator has consulted on the changes and received</p>	<p>The regulator has provided sufficient evidence to support its proposed EANDCB of -£86,828. The Committee is pleased to see the regulator's use of consultation to test its understanding of the benefits of the guidance.</p>

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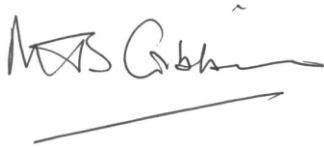
Measure	Description	Impact	Quality of submission
		positive feedback on the new version; on the basis that most trustees who responded felt that the new guidance helped them to understand and carry out their duties more effectively, it argues that the change is net beneficial. The regulator estimates a net saving to business of £86,828 per annum as a result of reductions in the length of the guidance, based on page view data, standard assumptions about reading speeds and ASHE salary data. It also expects some benefits to charities as a result of having more engaged and informed trustees but does not monetise these.	

### Departmental assessment

Classification	All qualifying regulatory provision
Equivalent annual net cost to business (EANDCB)	4146 £0.1M 4147 £0 (due to rounding) 4148 -£0.1M
Business net present value	4146 -£0.3M (over a three year appraisal period) 4147 £0.3M 4148 £0.8M

## RPC assessment

Classification	Qualifying regulatory provision
EANDCB – RPC validated <sup>1</sup>	4146 £0.1M 4147 £0 (due to rounding) 4148 -£0.1M
Business net present value	4146 -£0.3M (over a three year appraisal period) 4147 £0.3M 4148 £0.8M



**Michael Gibbons CBE**, Chairman

<sup>1</sup> For reporting purposes, the RPC validates EANDCB and BIT score figures to the nearest £100,000.