DSC Consultation Submission

Charities Annual Return 2023

July 2022

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Contents

Summary of recommendations

Throughout this consultation response we include recommendations for further consideration by the Charity Commission as it moves forward with developing the Annual Return 2023. These are summarised below.

Flexibility of the Annual Return

In general, we support more flexibility with the caveat that the cost-benefit of additional questions should be justified, and new questions only added if there is a clear benefit and proportionate burden on preparers.

DSC Recommendations:

- Repeat the user testing exercise whenever questions are substantially added/deleted/changed, in addition to publishing details in advance of which questions have been selected in that year and the rationale.
- Include clear guidance about 'what's new for 2023' to explain to preparers whenever substantial changes are made, to minimise confusion.

Changes to questions about charity finances

These proposed changes are likely to substantially increase the regulatory burden and need further consideration to be clear and proportionate.

DSC recommendations:

- Reconsider whether this section is about diversified income or connected parties, not both at the same time – and whether the topics questions should be split out.
- Recalibrate the proposed thresholds to reduce the regulatory impact whilst still gathering data from high-risk examples.
- Revise the income streams to include all types of income, including contracts and trading.
- Align the examples with the questions – for example by including local authority contracts as a 'stream' and examples in the guidance for 'contracts' and/or trading income.

Overseas income

These proposed changes already represent a substantial regulatory burden and are likely to increase it – they need further consideration to reduce the time taken to comply.

DSC Recommendations:

- Include a de minimis limit, for example of £10,000 for total overseas transactions, or a certain percentage of income (e.g. 10%), or £1000 per single transaction, for disclosing the source/location of the income.

- Consider revising the question on type of money transfer to confirm or deny whether any income was received by means the Commission might consider higher-risk, similar to the current AR question about ‘expenditure outside the regulated banking system’. For example, any income from ‘bank transfer’ would not trigger any response or follow up. But ‘did your charity receive any income in the form of cryptocurrency etc’ this would trigger a ‘Yes’ and then subsequent options.

Location of charity operations

Whilst having this data could be very useful, there are significant methodological and data integrity problems with designing related questions in a way that will gather robust data without being overly burdensome. Further, there may be safeguarding risks to publishing some data.

DSC Recommendation:

- At a minimum, the Charity Commission needs to clearly define what it means by ‘address to deliver services’, and ‘undertaking operations’ including guidance and caveats about how temporary or permanent those addresses must be to qualify, whether posting materials to a customer or beneficiary address counts, whether digital services are included etc.
- If it moves forward with this question, the Charity Commission should consider asking for a wider geographical category than address or postcode (e.g. county) to simplify responses for the preparer and protect vulnerable beneficiaries where the disclosure of precise locations could put them at risk.

Governance

In general, the proposals in this section make sense but the cost-benefit case for the website hosting question has not been satisfactorily made in our view. We’re also unclear why ‘political activity’ is an option in the list of organisational policies, as to our knowledge this is not a requirement or recommended in relevant guidance such as CC9.

DSC Recommendation:

- The Charity Commission should scrap the proposed question on website hosting and instead target communications or alerts to trustees of types of charities and/or cause areas where it thinks an overseas web hosting might be a risk, or to publicise to trustees those countries where web hosting that could expose the charity to risk.
- Remove the ‘Political Activities Policy and Procedures’ from the list of options, or explain what this means and why it is being asked, with links to relevant guidance such as CC9.

1. DSC and Charity Regulation

The Directory of Social Change has a vision of an independent voluntary sector at the heart of social change. We believe that the activities of charities and other voluntary organisations are crucial to the health of our society. Through our publications, courses and conferences, we come in contact with thousands of organisations each year. The majority are small to medium-sized, rely on volunteers and are constantly struggling to maintain and improve the services they provide.

DSC believes in 'Responsible Regulation' – that regulation of independent voluntary activity should be proportionate, appropriate and enabling. Regulation should strike a balance between perceived risk and intended benefit; it must be informed by the characteristics, capacity, and needs of the organisations and individuals that are being regulated; it should seek to empower rather than control voluntary activity.

Over many decades, DSC has been a strong supporter of the role of the Charity Commission in upholding the public interest in a thriving charitable sector, and we believe the Commission has a vital role to play in the health and impact of charities. The Charity Commission's staff, for the most part, carry out excellent and important work every day, often with little public recognition of the importance of their work to wider civil society. DSC has always worked closely and constructively with the Commission on relevant consultations, to access and analyse data to facilitate our research work, and to understand the latest regulatory developments so we can inform charity staff and trustees via our many courses, events and publications.

2. Principles

Based on our long experience of observing charity law and regulation, and of serving the charity sector in the UK, DSC believes changes to the Annual Return should be considered in the context of the following principles:

Accountability

Charities are required by law to deliver public benefit, not to be popular. The 'public' is not monolithic, and different stakeholders may have conflicting views about what a charity does. Decisions about what data charities are required to put into the public domain should consider what charity beneficiaries, donors and volunteers most need as a priority.

Proportionality

The regulatory burden on charities needs to be carefully considered, both for individual charity trustees who may be required to research information and submit data, and in terms of the collective burden of requiring data from hundreds of thousands of organisations which vary hugely in size and complexity. This is especially true for small charities, but also applies to larger, more complex charities.

Transparency, with context

Charities should be as transparent as possible about what they do. However, this needs to be balanced against the capacity to collect and report data and information. Publishing data without properly explaining the context can misinform people and even damage individual charities or 'public trust and confidence' in charity.

Clarity about how data will be used

Some data may obviously be of interest to the general public. Other data may be of more use to regulators and needs to remain unpublished. Some data may need to remain confidential even if it is supplied to regulators – because publishing it could put beneficiaries at risk. These different circumstances need to be clearly explained and adhered to, and there needs to be clear guidance explaining the differences and why.

Integrity, usefulness and value of data

All data that is collected should have a use, not just be collected for its own sake – otherwise this increases the regulatory burden for no benefit. The question of the integrity of data is also key – if questions are too difficult or time consuming to answer, then they may be unanswered or answered incorrectly, corrupting the dataset. Similarly, data should rely on authenticated sources (reports and accounts) wherever possible to improve its accuracy, rather than relying on user input which may be more likely to include mistakes.

3. General points about the consultation

In the guidance for this consultation, the Charity Commission says that:

We want to know whether you:

- *agree the set of questions proposed are relevant and proportionate, considering our statutory duties, objectives and functions*
- *are confident that charities of all types and sizes would be able to understand all questions proposed, and collate the right data*

In our responses below, we endeavour to answer on this basis but also to propose recommendations and alternative solutions where appropriate, in cases where questions might not be proportionate or could not be answered effectively.

In general, we support the following aspects identified in the Charity Commission's consultation document:

- **Data** – we agree that it is important for the Charity Commission to develop and improve data about charities for the benefit of many different stakeholders, including the charity sector itself. We agree with the Commission's ambition of *"Being able to build regulatory decision-making processes around the right data so that we can make greater use of analytics, intelligence and information sharing to proactively deal with emerging issues and problems rather than reacting to the consequences."*

- **Regulatory burden** – we agree that the cost-benefit needs to be carefully considered, and that *"the overall impact of our regulation of charities is proportionate to the benefit to the sector and public. Information we collect should be that which we need to provide charities with the right support and guidance to enable compliance, minimising time and resource burden".*

4. Responses to consultation questions

Below we repeat each question from the consultation in bold, followed by DSC's response, and any recommendations in bold. We have submitted these responses via the online tool but are also publishing them as we believe others outside the Charity Commission may be interested to read and consider them.

Question 1: Do you support the proposal to increase the flexibility of the AR, allowing us to select certain questions not to be run in a given year?

The Commission proposes to be more flexible in which questions it includes in the Annual Return each year, as well as introducing the option of questions that only appear in that year, for example to gather data on unique events (such as the pandemic). The increased flexibility also includes the substantially more questions for 2023, even if some of this is down to previously complex questions being turned into a greater number of simpler questions.

The Commission should keep a close eye on how many questions it is asking and whether all of them are truly necessary or not able to be answered from other data sources (such as accounts). We would suggest repeating the user testing exercise each time substantial changes are made, because the cumulative impact of even small changes will be felt throughout the sector.

The Commission should consider that people who regularly complete the return may be confused about why some questions are included or not included in any particular year, so top-level guidance accompanying the annual return should explain to the user what has changed from year-to-year and the reasons. A short summary of 'what's new for 2023' would assist trustees particularly of smaller charities who may not have for example a Company Secretary or access to professional preparers.

DSC Recommendations:

- **Repeat the user testing exercise whenever questions are substantially added/deleted/changed, in addition to publishing details in advance of which questions have been selected and the rationale.**
- **Include clear guidance about 'what's new for 2023' to explain to preparers whenever substantial changes are made, to minimise confusion.**

Question 2 – Do the changes we are making on questions about finance ask for the right information about charities based on the information provided? Please provide any comments that will help us understand this further.

The Commission proposes to amend questions about the charity's finances to include a series of calculations about the diversity of the charity's income streams including any income from corporate or individual donors or connected parties.

The Commission says that *'The new questions will reduce the reporting burden by using yes/no answers rather than requiring specific values. The questions are also more targeted to obtain data in relation to specific risks. Charities will be asked whether they have exceeded specified thresholds in the following risk areas:*

- *heavy reliance (greater than 70%) on one income stream*
- *reliance (greater than 25%) on corporate donations*
- *reliance (greater than 25%) on individual donations*
- *reliance (greater than 25%) on donations from a single trust*
- *reliance (greater than 25%) on donations from connected parties*

The rationale for this line of questioning is not sufficiently clear and we're not sure how widely it will apply in practice, so the regulatory impact is hard to predict. The theory behind these changes seems to be that charities which receive a high proportion of income from a single source may be more vulnerable to either that source drying up, or to undue influence by that donor/funder. Is this about income diversification or undue influence of funders/donors? They are two different questions which seem conflated and could arguably be more clearly presented as distinct sections.

Whilst diversifying income is generally thought to be a good thing to maintain a charity's viability and provision of services, the lack thereof doesn't always indicate a risk, or one that trustees can realistically prevent. Further, any question about charity finances involves a level of risk because income is almost never guaranteed. Contracts may not be renewed, grants may be clawed back, fundraising initiatives may fail, without the charity doing anything wrong. There may be very little that trustees can do about these eventualities. The 'heavy reliance' of 70% may actually prove to be the case for most charities – we don't know. So, we have the following points and questions about this change:

- How will this information be used? What types of regulatory actions would it trigger, for example? How will the charity know if it has resulted in some kind of red flag?
- Some types of income or types of relationship with the similar data could be of much greater or lower risk than others. For example, many charities may receive more than 70% of income from a particular 'stream' without this being a risk. In fact, receiving 70% from diverse public donations in ordinary (non-pandemic) times would have been thought to be a sign of financial strength, whereas receiving that much from a single donor suggests a risk of dependence or potential for undue influence.
- Many local charities might receive more than 70% of their income from local authorities, but this relationship has been ongoing for many years, so is it really any riskier? Why would this not have its own income stream listed? There are questions about this in other sections of the Annual Return, but not referencing them here seems like an oversight that could confuse the preparer.
- Plenty of small local charities may have received Lottery grants, such as Reaching Communities which account for 70% of income. Why would this be risky, and wouldn't the Lottery have made that consideration in awarding funding? Also, preparers would need to consider the Lottery as a 'trust' to account for income in that category, when they might not think of it that way (as it is a public body) and therefore could exclude (incorrectly?) from the calculations.
- Similarly, a corporate foundation which receives most of its income from a corporate donor would likely fall under the 70% category. But the terms of its relationship with the donor are what they are; trustees can't necessarily do anything to change them. The risk of, for example, the donor company going out of business (e.g. Northern Rock and its associated foundation) and thereby putting the main income source at risk is outside the trustees' control.

In short, we think this section isn't sufficiently clear about what it really is asking and why and could be casting too wide a net. We think gathering and calculating this information for many trustees or preparers may be much harder than anticipated and therefore will take considerable time, and that the collective burden on the sector may be greater than the Commission expects – many more charities may fall into one or other of these categories than predicted.

A solution might be to refocus these questions and the relevant streams to be around the idea of 'connected party' and/or to revise the percentages, which seem arbitrary. For example, if over 70% of income is from a connected party (e.g. single donor, or trustee) rather than a single income stream (thousands of donors, not trustees), that should be a much more targeted request for data. Also, flipping the percentages for each ‘stream’ from 25% to 75% for example would probably catch fewer charities in the ‘net’ of the question, reducing the complexity and demand of the calculations on preparers, whilst still identifying any high-risk examples.

DSC recommendations:

- **Reconsider whether this section is about diversified income or connected parties, not both at the same time – and whether the topics questions should be split out.**
- **Recalibrate the income thresholds to reduce the regulatory impact whilst still gathering data from high-risk examples.**
- **Revise the streams to include all types of income, including contracts and trading.**
- **Align the examples in guidance with the questions – for example by including local authority contracts as an income ‘stream’ and examples in the guidance for ‘contracts’ and/or trading income.**

Question 3 - Are the questions on finances worded in a way that makes them clear and easy to understand? Please provide comments on questions you do not consider to be clear and easy to understand.

See response to Question 2 above. The scope of the categories seems incomplete. For example, the ‘stream’ categories don’t include local authorities, or revenue generated from trading (including contracts), whereas these are included in the examples for the total income and 70% threshold. Why would local authority contract income not be the same level of risk for dependence or ‘connected parties’ as the other streams? For example, where a charity has a local authority as a corporate trustee, or similar?

Also, it may be hard for preparers to discern which income goes in which categories, even with the examples, because this requires them to understand the differences in corporate status between streams, which could be unclear. For example, is a grant from a corporate foundation from a trust or a company? (It’s from a trust). Is a grant from the lottery from a trust or a government source? (It’s from a government source). If the threshold for the streams were substantially higher, it would probably be easier for preparers to calculate a simple ‘no that doesn’t apply to us’, thereby reducing the collective burden of reporting without spending huge amounts of time doing calculations.

It’s also not sufficiently clear the time period under consideration, and how that fits in with the Commission’s risk analysis. It is assumed that the time period is the period of the most recent accounts which are being submitted as part of the Annual Return. However, for small charities in particular, coming within the scope of any of the ‘streams’ listed could vary significantly from year to year, for example when a grant that is relatively large to the rest of the charity’s income is received and then spent out. Just because that grant is awarded and spent in one year or several years, and takes the charity over the 25% threshold for the accounting year in question, it’s not an indication that the risk profile for the charity has changed negatively.

Question 4 – Is our draft supporting information and guidance on the finance questions sufficient to explain how to complete these questions? Please provide any comments that will help us improve this further.

The concept of the guidance is helpful and necessary if these questions are to be included, but bear in mind that the guidance runs to over three pages. If something on the Annual Return needs that much illustration, is it the right thing to be asking?

Question 5 – If you are responding on behalf of a charity: could you answer these questions using information you already gather on your charities' finances? Please provide any comments that will help us understand this further.

DSC's example is perhaps a good case in point. We could say without referencing our accounts in detail that over 70% of our income is from one 'stream', but that stream isn't listed – it derives from trading activity. In which case we would answer 'no' to this question, because the stream wasn't listed. However, this income was dramatically affected by the pandemic – would that have qualified as a 'risk'? Some of the other questions would require getting the calculator out and spending considerable time analysing the previous year's accounts and balance sheets, which takes higher-level finance knowledge.

Question 6 - Do you have any concerns about the time it would take to answer the questions on trustee payments? Please provide any comments that will help us understand this further

DSC believes that trustees should not be paid for being trustees. Of course, there are legitimate circumstances where trustees can be paid or reimbursed for other reasons, and it's appropriate that this information is reported and transparent to the public. We have no issues with these questions because the guidance states that it is not asking for reporting reimbursement of trustee expenses. This could be clarified further by including very brief examples of expenses, for example travel costs to attend meetings, or reimbursement for fees or equipment related to attending.

Question 7 - Are the new questions about overseas income and agreements with overseas partners clear, easy to understand and answer (using the supporting information as necessary)? Please offer any comments, in particular is the list of options on how charities receive overseas income complete and comprehensible?

This sequence of questions on overseas income is problematic in its current form and takes up a great deal of time to complete. The proposed amendments would seem to make this section more complicated and time-consuming to complete by including information about the type of money transfer. The purpose of collecting the information is presumably for the Commission's internal risk analysis, as the consultation document specifies it isn't for publication, but we're not clear how and if it is used.

If you are responding on behalf of a charity: Question 8 – Do you have any concerns about the time it would take to answer the questions on the way overseas income was received by your charity?

Again, DSC's experience may be illustrative. We do 99% of our business in the UK, but receive some orders for books and occasionally other products like in-house training from overseas. Although these never amount to more than a tiny fraction of our total income, they result in having to declare information on hundreds of overseas locations in the Annual Return, even though DSC has no presence in those locations, does not actively deliver services there, and does not even market its services to those locations.

Reporting this information gives the impression that DSC actively works overseas when it does not. Further, the nature of the transactions are such that we wouldn't state that we have 'written agreements' in place because there is no reason to - not having one should not be viewed implicitly as poor practice. Our business model may be unusual, but many fundraising charities could be in a similar situation, especially if they take online donations or especially if they use crowdfunding, which is increasingly common. How should a charity using a crowdfunding platform conceivably have bespoke written agreements in place with all its donors?

DSC Recommendations:

- **Include a de minimis limit, for example of £10,000 for total overseas transactions, or a certain percentage of income (e.g. 10%), or £1000 per single transaction, for disclosing the income.**
- **Consider revising the question on type of money transfer to confirm whether any income was received by means the Commission might consider higher-risk, similar to the current AR question about 'expenditure outside the regulated banking system'. For example, any income from 'bank transfer' would not trigger any response or follow up. But 'did your charity receive any income in the form of cryptocurrency etc' this would trigger a 'Yes' and then subsequent options.**

Question 9 – Do you think the Commission should gather data on the premises from which a charity operates?

DSC recognises that from a research and policy perspective this information would be extremely valuable to have, as it could help illustrate the prevalence of charitable services in different geographical areas and therefore to identify gaps. However, we believe there are significant methodological and data integrity problems with designing such a question in a way that will gather robust data without being overly burdensome.

There are several things that would need to be clarified in guidance for this question to be able to be answered accurately by preparers, including:

- Especially after the pandemic, many charities have moved to provide services digitally. In these cases, where is the 'location/address' of service provision? The postcode of the person receiving the service? That would be unfeasible, and potentially infringe on data protection if it involved personal information.
- Also, after the pandemic many charities have changed their physical operating premises, taking on shared spaces or leaving buildings altogether. How permanent does the charity's presence in terms of 'address' need to be? A physical office? For

how long? What if it is a temporary workspace, or hot-desking location for some staff?

- Does a service delivered at another charity's location, hired location, or beneficiary's address count?

Further, there could be a risk in disclosing overly precise locations of some service delivery, particularly for vulnerable or excluded groups (for example domestic violence shelters, or a charity that provides care in the community, which would not want to specify the location of beneficiaries receiving care at their homes). This needs to be extremely carefully considered.

If you are responding on behalf of a charity: Question 10 Please comment on how feasible it would be for you to provide information about all the locations from which the charity operates. Please include suggestions for how to implement this if it were included, such as the easiest way in which to provide location information.

DSC provides printed publications and online funding data to thousands of customers across the UK every year, as well as in-house training at the customer's own location or a hired space. The degree to which we could feasibly answer this question would depend on the guidance around it. If we were required to supply the location of every book sale or online subscription (the purchaser's address), this would not be feasible to do in our Annual Return. If we had to supply the location of every in-house training event (the customer's address or a hired room), this might be possible but would be highly cumbersome. In either case, it's not something that we think would be a good use of resources or necessarily in the best interest of DSC's customers.

DSC Recommendation:

- **At a minimum, the Charity Commission needs to more clearly define what it means by 'address to deliver services', and 'undertaking operations' including guidance and caveats about how temporary or permanent those addresses must be to qualify, whether posting materials to a customer or beneficiary address counts, whether digital services are included etc.**
- **If it moves forward with this question, the Charity Commission should consider asking for a wider geographical category than address or postcode (e.g. county) to simplify responses for the preparer and protect vulnerable beneficiaries where the disclosure of precise locations could put them at risk.**

Question 11 – Do the changes we are making on questions about charity operations and structure ask for the right information about charities based on the information provided? Please provide any comments that will help us understand this further.

The question about website hosting is likely to cause a significant collective regulatory burden for a narrow and unclear benefit. We tested it to see how quickly we could find out this information and found it to be a minimum of half an hour of a senior professional's time. This will likely be much longer for charities without staff or a professional IT function.

Something like 100,000 charities will be required to complete the Annual Return as their annual income is over £10,000. If this question takes each one half an hour (a conservative estimate) the collective burden of asking this question could be a minimum of 50,000 hours of charitable time – the equivalent of 29 full-time charity workers for an entire year. Is the cost-benefit of asking this question really justified?

DSC Recommendation:

- **The Charity Commission should scrap the proposed question on website hosting and instead target communications or alerts to trustees of types of charities and/or cause areas where it thinks an overseas web hosting might be a risk, or to publicise to trustees particular countries where hosting could expose the charity to risk.**

Question 12 - Do you agree that the new questions about charity operations and structure are clear, easy to understand and answer? Please provide comments on questions you do not consider to be clear and easy to understand.

In general, the questions are clear, but we are not convinced about the cost-benefit of including the website hosting question.

Question 13 – Is our draft supporting information and guidance for the questions about charity operations and structure, including the glossary, sufficient to explain how to complete these questions? Please provide any comments that will help us understand this further. In particular we are keen to understand whether the definition of "hosted" in the glossary sufficiently clear to help you answer the question.

The glossary is clear and helpful, but we don't believe the website hosting question is justified.

If you are responding on behalf of a charity: Question 14 – Could you answer these questions using information you currently gather on your operations and structure? Please provide any comments that will help us understand this further

Yes.

Question 15 – Do the changes we are making on questions about employees and volunteers ask for the right information about charities based on the information provided? Please provide any comments that will help us understand this further.

We believe that data on total payroll and to complete the pre-existing question on senior pay should already be present in the charity's accounts, so this should be relatively easy for preparers to enter. However, we're not sure if the definitions in the consultation are in synch with those in the SORP – this would be necessary to make this a seamless rather than a convoluted process. We would also question the value of this data to "the public or other stakeholders to consider when looking at charities' use of resources and ability to deliver certain activities" as suggested in the consultation.

There is a clear public interest in charity pay but it's not possible to make an informed judgment about whether a particular spend on payroll is appropriate or effective for achieving certain outcomes just from a headline figure. Donors and other stakeholders should be encouraged to make that assessment by investigating the report and accounts to get the full context, not relying on single datapoints about pay to make snap judgments.

Question 16 - Are the new questions about employees and volunteers clear and easy to understand and answer? Please provide any comments on questions you do not consider to be clear and easy to understand and answer

We can see the value in gathering this data (as it also appears in the current Annual Return), but the Commission needs to more clearly define what they mean by 'volunteer'. Is this informal or formal volunteering? Is it short-term or long-term? All of the above? It may be difficult for charities which involve a very large number of informal volunteers, or do so on an ad-hoc basis, to provide accurate numbers. Has any assessment been made of the accuracy of the data gathered on this currently?

Question 17 – Is our draft supporting information and guidance around the questions on employees and volunteers sufficient to explain how to complete these questions? Please provide any comments that will help us improve this further.

See above – not sufficiently clear. Also 'volunteer' does not appear in the glossary.

If you are responding on behalf of a charity: Question 18 – Could you answer these questions using information you currently gather on your employees and volunteers? Please provide any comments that will help us understand this further

We induct all volunteers into the organisation and have information in our HR system, so we could provide the information, but it would require the preparer to consult with the HR manager and other managers.

Question 19 – Are the changes we are making to questions about governance of risk, incidents and safeguarding clear and proportionate, and do they ask for the right information? Please provide any comments that will help us understand this further.

We're unclear about whether the proposed changes to these questions for 2023 broaden the scope out from 'only charities with particular classifications and not regulated by certain organisations' to all respondents. If so, this could be a substantial change in the scope of the regulatory impact.

It might be time-consuming or impossible to find the 'last reviewed' date for the list of options for policies related to governance, and such a date is not necessarily an indicator of whether the policy is sufficient or correct. Also, the list includes 'Political Activities Policy and Procedures'. We're not clear what this is, whether it is new, or why it is needed. We don't believe many charities will have such a policy, or that one is recommended or mandated by the Charity Commission for example as part of CC9. Why is the Commission including this?

DSC Recommendation:

- **Remove the 'Political Activities Policy and Procedures' from the list of options, or explain what this means and why it is being asked, with links to relevant guidance such as CC9.**

Question 20 – Is our draft supporting information and guidance on governance of risk, incidents and safeguarding sufficient to explain how to complete these questions? Please provide any comments that will help us improve this further.

On the question ‘Does the charity provide services to children and / or adults at risk?’ the guidance says, ‘guidance not required, please refer to glossary’. The glossary is clear, but if the scope for this question is in fact expanding from a subset of respondents who are used to answering these questions, to all respondents including those which may not be used to answering these questions, then we suspect that further explanation above and beyond the glossary would be helpful.

If you are responding on behalf of a charity: Question 21 – Could you answer these questions using relevant information you currently collect? Please provide any comments that will help us understand this further.

We don’t routinely collect information about DBS checks as with a few exceptions our service delivery doesn’t generally require them. We would arrange DBS checks as and when they were needed. So, we might need to install new systems and processes to collect this data.

Question 22: Do you support an additional question being available for use in response to major external change? Please provide any comments that will help us understand this further.

This seems reasonable and potentially useful, however the timespan of completed returns and the differences in accounting years for many charities may make it less useful than hoped for in terms of assessing the impact of events on the sector as a whole. Because the charity accounting cycle incorporates effects of events that may have been up to 18-20 months before the accounts were submitted, the use of this data might be more retrospective than forward-looking. The Commission should keep the usefulness of this option under review.

Question 23 - Do you think the approach to the new Annual Return is proportionate? Please provide us with further evidence that informs your response, highlighting any that you believe should be incorporated into our final Regulatory Impact Assessment

In places we do not believe it is proportionate - see particularly our responses to Questions 2-5, 8-10, and 11 above. The Commission’s calculation of the cost of the regulatory impact of £4.95m is substantial, and the estimate of the cost of £14 per hour is likely to be low, given that many charities will use professional preparers, in-house finance teams, or senior directors to do this work. Also, just because for example small charities may use trustees or volunteers to complete their returns doesn’t mean that has no cost to the charity. In the context of total charitable income, the figure is not huge, but considering that many charities are struggling with unprecedented conditions following the pandemic and cost-of-living crisis, and that trusteeship is becoming more and more demanding, it is not insubstantial.

Any additional regulatory burden should be fully stress tested. Based on the feedback received in this consultation, the Commission should review the proposed changes to assess again whether individual items really are absolutely needed, and how unnecessary impacts could be reduced or be made more targeted wherever possible (see our recommendations throughout).

Question 24 Do you have any comments on our assessment of the equalities impact?

This seems to have been robustly considered, but the Commission should take extra care to consider feedback on this consultation from charities representing under-served groups or protected characteristics – particularly around reporting the location of services.

Question 25 Please provide us with further evidence or information that we can consider in, particularly any concerns you have around data privacy.

As noted in the responses to Questions 9 and 10 above, there could be implications not just for data privacy but for safeguarding in disclosing precise geographical locations of services for some types of beneficiaries.

Also, while the consultation paper shows where information will be published or not, trustees need to understand how, why and when this might change in the future, for example if new versions of the register of charities are developed and the Commission wants to publish information that was previously unpublished.

5. Conclusion

DSC hopes the principles, content and recommendations in this submission will be considered by the Charity Commission as it further develops the Annual Return for 2023, and we are happy to continue further discussions as needed. Others in the charity sector are welcome to reference and reuse this material in their own submissions.

Further information and links

- Charity Commission consultation
- Proposed questions in the 2023 annual return
- Glossary of terms
- Guide and explanatory notes