

Charities encouraged to have their say on changes to the Annual Return

The Charity Commission has [launched a formal consultation](#) on proposed changes to the Annual Return, designed to ensure the regulator is collecting the right information in the years ahead.

The Annual Return is an online form that all charities with yearly incomes of £10,000 or more must complete within 10 months of the end of their financial reporting period.

The return has not changed significantly since 2018, but after a comprehensive review, the Commission is proposing to update the question set which charities will need to complete from 2023 onwards.

Important milestone in regulator's data strategy

The updates to the Annual Return are a key step in the Commission's ambitions to become a more data-driven regulator. The wider strategy aims to ensure the nature and volume of data it gathers on charities serves three purposes: enabling the Commission to better identify risks and problems in the sector, helping the public make informed and confident choices about charities, and allowing policy-makers, researchers, the sector, and the public to gain a richer understanding of the sector in England and Wales.

Proposed changes

The proposed changes mean that charities will answer a greater number of questions, but in many cases the questions have been simplified and clarified. Overall, the Commission has aimed to ensure the time burden on charities in completing the return remains reasonable and proportionate.

The final questionnaire will also include an interactive glossary to help charities in completing the form. This remains under development and will be informed by responses to the consultation.

Among the planned additions are questions designed to:

- Better capture and understand charities' reliance on certain types of income, and on single sources of funding. For example, charities will be asked whether 70% or more of their funding relies on one income stream, and whether 25% or more of their income comes from certain types of income sources, such as corporate donors.
- Gain more information on roles and responsibilities, governance, controls and different organisational structures in charities, as the regulator's case work indicates that this information can, in certain circumstances, correlate with risk.
- Help create a more accurate picture of the geographical areas in which charities operate in England and Wales, by asking for information about

the premises from which charities operate. Amongst other things, this data will help policy makers and grant-givers identify geographic areas which are comparatively under-served by charitable work. This will allow funders to make decisions that help 'level-up' such 'charity deserts'.

- Better capture staffing numbers and payroll costs in the sector, allowing the public and others to consider charities' use of resources and their capability to deliver certain types of activity.

The Commission is keen to hear from a wide range of charities as part of the consultation, so that it can make any necessary adjustments before the new return is launched in 2023. Alongside the formal consultation, the Commission has been undertaking user-testing of the question set with charities, to ensure the questions as drafted are clear and easy to understand. A further round of this user-testing is planned for July. This will involve 4,000 randomly chosen charities being asked to provide feedback on the language of the question set as drafted.

Helen Stephenson, chief executive of the Charity Commission, said:

The annual return is a crucial tool that helps charities account for their work to us as regulator, and to the public and funders. It's important we get the questions right, but also that we keep the burden on charities completing the return proportionate. So I encourage charities to look at the proposed changes and have their say as part of our consultation.

Looking ahead, the new information we hope to gather through the annual return will benefit the sector, as well as the Commission as regulator, by allowing us to make more detailed, richer information about the sector available, which in turn can inform the public and funders in making better informed decisions about which charities to support.

New, flexible approach with three-year set of questions

As part of the proposed changes, the Commission is developing a more flexible approach to the use of proposed AR questions, allowing it to tweak each AR during the period in question, depending on prevailing circumstances.

The proposal is for the majority of questions set out in the consultation to appear each year. This stability will allow for longitudinal data that helps the Commission and others compare trends year-on-year. A small number of questions may not be appropriate to include in a given year, for example because the risk in question is time-limited, or because there are other ways for the Commission to gather the relevant information.

The Commission will publish in advance details of which questions have been selected for inclusion in the AR and the rationale for including them.

How to take part in the consultation

Charities can respond to questions [via an online survey](#), and provide additional information or responses via a dedicated mailbox.

The consultation will run for 12 weeks, ending 1 September 2022.

Ends

Notes to editors

1. The Charity Commission is the independent, non-ministerial government department that registers and regulates charities in England and Wales. Its purpose is to ensure charity can thrive and inspire trust so that people can improve lives and strengthen society.
2. The Commission has made available a dedicated mailbox for those who may wish to provide additional information to the consultation (ARconsultation@charitycommission.gov.uk).
3. A [Welsh language version of the consultation](#) is available.