



# Charity Commission: Revisions to the Annual Return 2023-25

## A RESPONSE FROM WCVA

1. [Wales Council for Voluntary Action](#) (WCVA) is the national membership organisation for the voluntary sector in Wales. Our purpose is to enable voluntary organisations to make a bigger difference together.
2. We thank the Charity Commission for the opportunity to respond to this consultation.

## PROPOSED REVISIONS TO QUESTIONS ON FINANCIAL GUIDANCE

### **Q1) DO YOU SUPPORT THE PROPOSAL TO INCREASE THE FLEXIBILITY OF THE ANNUAL RETURN, ALLOWING US TO SELECT CERTAIN QUESTIONS NOT TO BE RUN IN A GIVEN YEAR?**

3. Yes, providing the criteria for selecting questions (or not selecting them) is followed and the process is transparent. This should create a more flexible and hopefully less time-consuming version of the Annual Return.
4. Clear guidance must be given as to what is new in each iteration of the Annual Return.

### **Q2) DO THE CHANGES WE ARE MAKING ON QUESTIONS ABOUT FINANCE ASK FOR THE RIGHT INFORMATION ABOUT CHARITIES BASED ON THE INFO PROVIDED?**

5. WCVA would like to see a question for charities based in England and Wales that asks how much of their income comes from England and how much of it from Wales, and then a related question about expenditure split for England and Wales. We don't currently have reliable information on this.
6. WCVA would also like to see income and expenditure presented on the register in more detail. 'Income from charitable activities' covers so many types of income. It would also be useful to see 'donations and legacies' split out into donations, legacies and grants.

7. Where we are trying to use data to inform how we support charities in Wales, having this more detailed information would be very beneficial for both guiding our work and having a true understanding of the sector in Wales.
8. The questions about income from government grants could and should acknowledge the devolved Government in Wales. Charities delivering activities in Wales may have income from UK Government, Welsh Government and local authorities.

### **Q3) ARE THE QUESTIONS ON FINANCES WORDED IN A WAY THAT MAKES THEM CLEAR AND EASY TO UNDERSTAND?**

9. The question about individual donations could be clearer. Having 25% of income from (for example) 100 individual donors who give monthly isn't very risky, but having it from one donation from one individual donor would be. This question doesn't allow for that type of nuance. There is some clarification on this in the supporting information, but not everybody will read this.
10. We would be wary of using 'trust' by itself. 'Trusts, foundations and grant-making bodies' (e.g. the Lottery isn't a trust or Foundation) would cover this more effectively.
11. 'Total grants made to individuals and other charities' shouldn't be in the same section as 'paying trustees' – this is confusing and implies the Commission is asking about making grants to trustees.

### **Q4) IS OUR DRAFT SUPPORTING INFORMATION AND GUIDANCE ON THE FINANCE QUESTIONS SUFFICIENT TO EXPLAIN HOW TO COMPLETE THESE QUESTIONS?**

12. The Heritage Lottery Fund, used as an example in the glossary as 'One income stream', is now the National Lottery Heritage Fund.
13. In the question around percentage of income from particular streams, the guidance notes that 70.4% is not in this instance viewed as more than 70% and so people should reply 'no'. That is potentially confusing. Perhaps rewording this to '70% and over' would be better and more definitive for those who might be on that cusp.
14. Three pages of guidance seems excessive, and implies that potentially this section could be shorter.

### **Q5) COULD YOU ANSWER THESE QUESTIONS USING INFORMATION YOU ALREADY GATHER ON YOUR CHARITIES' FINANCES?**

15. WCVA could. Most charities should be able to answer these questions, but if they can't, then it is important for them to start recording this information.

**Q6) DO YOU HAVE ANY CONCERNS ABOUT THE TIME IT WOULD TAKE TO ANSWER THE QUESTIONS ON TRUSTEE PAYMENTS?**

16. If charities are monitoring expenditure appropriately, this shouldn't be a problem.

**INCOME AND OPERATIONS OUTSIDE ENGLAND AND WALES**

**Q7) ARE THE NEW QUESTIONS ABOUT OVERSEAS INCOME AND AGREEMENTS WITH OVERSEAS PARTNERS CLEAR, EASY TO UNDERSTAND AND ANSWER, USING THE SUPPORTING INFORMATION AS NECESSARY?**

17. 'Cash courier' is listed twice in the answer options for how income from overseas was received.

18. What counts as 'informal money transfer systems'? This question should be revised and made clearer.

**Q8) 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?**

19. This should not be an issue for charities that are managing their finances effectively.

**CHARITY OPERATIONS AND STRUCTURE**

**Q9) DO YOU THINK THE COMMISSION SHOULD GATHER DATA ON THE PREMISES FROM WHICH A CHARITY OPERATES?**

20. Yes. This would be very useful from a policy perspective. It will help to identify which charities are working across the border and which are only located in Wales. It will help identify gaps and also duplication in areas where a lot of charities are operating.

21. This question could be a little burdensome for charities with multiple sites, but a well-governed charity should have that information to hand. It would be a concern if a charity could not quickly provide information on where they are operating.

22. However, with the increase in remote working, we may need to consider what is meant by 'location'. Some charities may be physically located in England for example, but offering remote services (training) in Wales. Physical addresses do not necessarily reflect where the charity is operating.

**Q10) PLEASE COMMENT ON HOW FEASIBLE IT WOULD BE FOR YOU TO PROVIDE INFORMATION ABOUT ALL THE LOCATIONS FROM WHICH YOUR**

**CHARITY OPERATES. PLEASE INCLUDE SUGGESTIONS FOR HOW TO IMPLEMENT THIS IF IT WERE INCLUDED**

23. We are a national charity in Wales so we would need the option to tick 'All local authorities'. Requesting postcodes does sound quite burdensome, and there are potentially safeguarding or data protection issues here. If this approach is taken, we agree it should be only the first letters of the postcode (e.g., CF) rather than the full details. Alternatively, the Commission could ask charities to tick the local authorities where they operate, including an 'All/national' option.

**Q11) 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?**

24. As noted, consideration needs to be given around the definition of 'location'.

**Q12) DO YOU AGREE THAT THE NEW QUESTIONS ABOUT CHARITY OPERATIONS AND STRUCTURE ARE CLEAR, EASY TO UNDERSTAND AND ANSWER?**

25. Yes

**Q13) 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?**

24. Yes.

**Q14) PLEASE PROVIDE ANY COMMENTS TO HELP US UNDERSTAND THIS FURTHER. IN PARTICULAR WE ARE KEEN TO UNDERSTAND WHETHER THE DEFINITION OF 'HOSTED' IN THE GLOSSARY IS SUFFICIENTLY CLEAR.**

25. Yes.

**Q15) COULD YOU ANSWER THESE QUESTIONS USING INFORMATION YOU CURRENTLY GATHER ON YOUR OPERATIONS AND STRUCTURE**

26. Yes.

**PROPOSED REVISIONS TO QUESTIONS ON EMPLOYEES AND VOLUNTEERS**

## **Q16) DO THE CHANGES WE ARE MAKING ON QUESTIONS ABOUT EMPLOYEES AND VOLUNTEERS ASK FOR THE RIGHT INFORMATION ABOUT THE CHARITIES BASED ON THE INFORMATION PROVIDED?**

27. Regarding questions on charity pay: This may raise some reputational issues for charities, as the information could be picked up by hostile elements of the media, taken out of context and used to criticise said charity publicly. Transparency is important but the Commission needs to be aware of the potential impact this could have.
28. No substantial changes have been made to the question on volunteer numbers, however, we believe the existing question does not ask for the right information. Please see our suggestions under question 17.

## **Q17) ARE THE NEW QUESTIONS ABOUT EMPLOYEES AND VOLUNTEERS CLEAR AND EASY TO UNDERSTAND AND ANSWER?**

29. We do not believe the current question on volunteer numbers (*How many UK volunteers, excluding trustees, did your charity have during the financial period relating to this return?*) asks for the right information. Our suggestion is the inclusion of the following wording: *'How many active UK-based volunteers, excluding trustees, did your charity have during the financial period relating to this return?'*
30. The current question leaves room for incorrect interpretation and charities may respond with the total number of volunteers on their books – including ones who have not volunteered in the financial period relating to this return (or the past few periods) and likely may not be available to volunteer in the future. As such, the aggregate number of volunteers a charity has historically engaged with and may still hold the details of, is not a useful metric. We suggest the inclusion of the word 'active' in order to obtain more accurate data on the currently available volunteer human resource in every charity. We believe this data would be a better indicator of organisation resilience as per the goals the Commission have set under section 6 (*'Monitoring trends here will help the Commission understand where charities may not be able to maintain service or governance standards and would help identify where localised or sector specific risks may arise.'*).
31. We advocate for the replacement of 'UK' with 'UK-based' to avoid misinterpretation, as we believe the Commission does not seek to obtain information on volunteers who are UK-nationals exclusively, rather any national who resides in the UK and volunteered for the charity in question during the financial period.
32. We further suggest the introduction of an additional question: *'How many overseas volunteers, excluding trustees, actively contributed to your UK-based projects during the financial period relating to this return?'*

33. We note that the Commission asks for both overseas and UK-based employees and clarifies this is needed in order to *'identify charities with employees overseas and support them in ensuring relevant duties are fulfilled'*. The consultation document also acknowledges *'Sustainable volunteer numbers are of vital importance to the sector being able to continue its work now and in the future. Monitoring trends here will help the Commission understand where charities may not be able to maintain service or governance standards and would help identify where localised or sector specific risks may arise.'* We urge the Commission to take into account the virtual contributions of overseas volunteers to UK-based projects. In an increasingly interconnected world, with digital and micro-volunteering opportunities gaining popularity over the pandemic, cross-border volunteering online is easier than ever and should be considered in assessing trends, risks, and sustainability of operation for charities.
34. The wording of our additional question excludes overseas projects and focuses on the impact of international volunteers on charitable activities in the UK, which is in line with the Commissions' scope of operation.

### **Q18) IS OUR DRAFT SUPPORTING INFORMATION AND GUIDANCE AROUND THE QUESTIONS ON EMPLOYEES AND VOLUNTEERS SUFFICIENT TO EXPLAIN HOW TO COMPLETE THESE QUESTIONS?**

35. The addition of wording we suggest under question 16 will clearly define the parameters of the question on volunteers and eliminate the need for further guidance.
36. If the Commission accepts our recommendation to include the terms *'active'* and *'UK-based'* in the existing question, as well as a separate question on virtual overseas volunteers, we also note it would be beneficial to provide more clarity under section 8.2 of *'Additional question in response to major external change'* where a dropdown list includes *'number of volunteers'* as a sole option. We suggest the Commission provides additional guidance in Annex 4 to specify this dropdown option aims to capture *'all active UK-based and overseas volunteers contributing to UK-based projects, excluding trustees, during the financial period relating to this return'*.

### **Q19) COULD YOU ANSWER THESE QUESTIONS USING INFORMATION YOU CURRENTLY GATHER ON YOUR EMPLOYEES AND VOLUNTEERS?**

37. Yes. However, this information is already included in the statutory accounts we upload to the Charity Commission website, so essentially work is being duplicated.
38. WCVA does not have any volunteers, just employees.

## **GOVERNANCE OF RISK, INCIDENCE AND SAFEGUARDING**

**Q20) 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?**

39. WCVA agrees it will be useful to ask a question about the charity's policies and procedures. We also agree the Commission should ask if the charity is working with children or adults at risk. We suggest it would be useful to ask if the charity has a safeguarding policy.
40. WCVA is a member of the Charity Governance Code steering group. It would be very helpful if another question could be added asking whether the charity has signed up to any voluntary code of good practice. This could be a simple question requiring a Yes/No answer.

**Q21) IS OUR DRAFT SUPPORTING INFORMATION AND GUIDANCE ON GOVERNANCE OF RISK, INCIDENTS AND SAFEGUARDING SUFFICIENT TO EXPLAIN HOW TO COMPLETE THESE QUESTIONS?**

41. Yes.

**Q22) COULD YOU ANSWER THESE QUESTIONS USING RELEVANT INFORMATION YOU CURRENTLY COLLECT?**

42. Yes

**Q23) DO YOU SUPPORT AN ADDITIONAL QUESTION BEING AVAILABLE FOR USE IN RESPONSE TO MAJOR EXTERNAL CHANGE?**

43. This would be a very useful question. It will help to proactively gather data on the sector-wide impact of major external changes and help identify trends. This will help with more targeted support for the sector.

**SUMMARY QUESTIONS**

**Q24) DO YOU THINK THE APPROACH TO THE NEW ANNUAL RETURN IS PROPORTIONATE?**

44. Largely, we would agree that it is proportionate, although as noted earlier there are questions around locations and postcodes that could prove quite burdensome to some organisations.
45. The Commission should remember that smaller charities can require additional support to complete the Annual Return, so the Return must remain proportionate to avoid putting unnecessary barriers in the way.

**Q25) DO YOU HAVE ANY COMMENTS ON OUR ASSESSMENT OF THE EQUALITIES IMPACT?**

46. We have no particular comments on this.

**Q26) PLEASE PROVIDE US WITH FURTHER EVIDENCE OR INFORMATION WE CAN CONSIDER, PARTICULARLY ANY CONCERNS AROUND DATA PRIVACY.**

47. As noted earlier, there may be concerns around gathering people's postcodes, relating to data privacy.

48. WCVA will be happy to discuss these answers in further detail with the Charity Commission, if requested.

*On behalf of Wales Council for Voluntary Action by:*

- David Cook, Policy Officer, [dcook@wcva.cymru](mailto:dcook@wcva.cymru)
- Mair Rigby, Governance and Safeguarding Manager, [mrigby@wcva.cymru](mailto:mrigby@wcva.cymru)
- Natalie Zhivkova, Volunteering Policy Officer, [nzhivkova@wcva.cymru](mailto:nzhivkova@wcva.cymru)
- Alison Pritchard, Sustainable Funding Manager, [apritchard@wcva.cymru](mailto:apritchard@wcva.cymru)

August 2022