

23 November 2017

To the Registrar and Assurance, Charity Commission

Dear Sir / Madam

Response to the Charity Commission Consultation on Annual Return 2018 (AR18)

Newcastle CVS is the lead infrastructure organisation for Newcastle and Gateshead's voluntary and community sector. As well as developing and supporting voluntary and community organisations to be more sustainable and resilient, we organise networks and events and represent the voluntary and community sector in strategic discussions. We carry out research and produce policy studies. We have over 750 member and associate organisations that are local voluntary and community organisations, CICs and social enterprises and operate in Newcastle and Gateshead.

Newcastle and Gateshead are based in the North East of England. Newcastle is a city with two universities and a population of around 300,000 people living in mainly urban areas. Gateshead has an inner urban area, and a more rural population (former mining villages) and a population of around 211,000 people. Both local authorities have council wards that are within the 10% most deprived in the Index of Multiple Deprivation.

Newcastle CVS has a trading arm, Ellison Services. This offers accountancy, payroll and audit services to the voluntary and community sector. Over the 23 years of its existence it has supported the preparation of (literally) thousands of accounts and annual reports for local charities, many of which have an income of less than £250,000. A substantial number of these have an income of less than £100,000. Many of these organisations do not have paid staff whose role it is to submit annual reports, so Ellison Services has a lot of experience of working with these trustees, who are unpaid volunteers.

Newcastle CVS recognises the general public wants more transparency around charities – this is to be welcomed as we want to tell our stories and the impacts we have on the lives of people, local communities and the environment. However this must be managed against proportionality. Much of the information that is proposed to be collected under AR18 will be available in other formats. It isn't clear whether the additional information requested is for the benefit of the Charity Commission or the general public. Some of the information is nuanced and will make minimal sense in this format, out of context.

Our key concern is proportionality and the additional amount of information to be collected and entered that will be difficult for the many organisations with incomes of under £100,000. Some of the language used isn't clear and could be confusing to smaller organisations. This will mean additional work for the auditors and the charges will go up.

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What will the Charity Commission do with this additional information? How will it be used? We know from the Charity Commission's recent statements and the increase in response times, the Charity Commission currently has capacity and resource issues; so why collect this additional information if for no apparent purpose?

If the information is to be collected as an 'early warning system' then this is a different conversation and it's not clear if this would be the best methodology to achieve this. Clearly the experiences of the Cup Trust, Kid's Company and some other prominent failures are appalling. However, they are the exception, not the rule, and asking small organisations, many run totally by volunteers, for disproportionate amounts of information may put an unnecessary burden on some organisations.

An amount of the information requested is within the remit of others – HMRC, the Fundraising Preference Service etc, and this is potential duplication. In some instances the Charity Commission cannot do anything with the data requested as it is not within their remit.

The following is our response to the questions contained in the online survey. The online survey was also submitted.

1) Raising Funds from the public

This falls within the remit of the Fundraising Preference Service, so it is not clear why the Charity Commission is also asking for this information. This is duplication.

2) Income from central or local government

This information is already available in the annual accounts. This could be used to compare charities without context. It might be perfectly sensible for some charities to have all their income from these sources, and for others to have none of their income from these sources. It depends greatly on the individual organisation. Where does the NHS fit into this? Where do the quangos, eg Sports England, fit into this? The information is always historic in any case and more government contracts and grants are on an annual basis. This is duplication.

3) Gift aid

It is the responsibility of HMRC to manage and regulate Gift Aid returns. This is duplication.

4) Income received from outside the UK

It isn't clear how or why this information will be used. How does this fit in with GDPR if private individuals want to donate? Is this about trying to look at the impact of Brexit? Where does Eire fit into this for a number of organisations?

5) Questions about charity expenditure

In relation to Chief Executive pay, this does not take the local market, the context, or the responsibilities of the individual into account. Any staff members paid over £60,000 already have to be shown in the existing annual accounts. The Chief Executive might not be the highest paid individual. Are salary packages, cars, pensions etc taken into account? Surely low pay is more important. Is the organisation paying the Accredited Living Wage (and in its supply chain)? What about the multiplier between the lowest and highest paid staff members. Why the £60,000 limit – there are large regional discrepancies on pay. Newcastle CVS publishes the salary of our Chief Executive, which is below £60,000, and our multiplier between the highest and lowest payers, and we pay the Accredited Living Wage to our staff and suppliers.

Newcastle CVS does not support payment to trustees, but we have to demonstrate this in any case in our Annual Accounts.

6) *Expenditure in Countries outside England*

We expect auditors to pick up this information within the process of auditing annual accounts.

7) *Managing Charity Assets*

Rate relief is provided through Local Authorities. It is not the role of the Charity Commission to regulate rate relief. Different local authorities take a different view on relief.

8) *Trading subsidiaries*

All subsidiary companies have to produce their own accounts and are audited separately. It isn't clear why listing the trustees who are directors is necessary as the trading subsidiary will have its own list of directors and the relationship with the parent charity is explained in the existing accounts.

9) *Safeguarding*

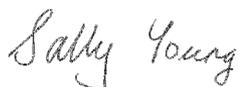
The questions shows a lack of understanding around DBS checks. All appropriate people (staff, volunteers and trustees) who have regular contact should be checked in line with Safeguarding Adults and Safeguarding Children policies. Many people will not need to be checked, so what is the point of information out of context?

We understand the Charity Commission is undergoing a digital transformation and, using the new technology available, it wants to structure the annual return so it is more dynamic and easier to use for charities. The aim was for charities that are smaller and with simpler operating structures to answer fewer questions, whereas those that are larger and more complex would be required to answer more. However it now appears that there are more questions for smaller charities to answer.

It isn't clear how the Charity Commission will handle all this additional data as so much is out of context. There are areas which fall under the purview of other regulators e.g. the Fundraising regulator and HMRC, or are in areas where the charity has no control eg the receipt of rate relief, so it is not clear to which benefit all this information is collected. Experience shows that there is always a cost to data collection. It is all about inputs not impact.

In conclusion, there should be transparent and open data about charities, but the volume and nature of the information proposed to be collected will impact disproportionately on smaller organisations, particularly for those with an income of £100,000 and under (around 80% of all charities).

Yours sincerely



Sally Young
Chief Executive