

ANNUAL RETURN FOR 2017: CONSULTATION RESPONSE

New Philanthropy Capital's submission to the Charity Commission's open consultation on the information collected from charities in the 2017 Annual Return

Andrew Weston and Patrick Murray

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About New Philanthropy Capital (NPC)

NPC is a charity think tank and consultancy dedicated to helping funders and charities achieve the greatest impact. We have an ambitious vision: to transform the charity sector so it becomes as effective as possible at improving people's lives and creating lasting change for the better.

As well as working with individual donor and charity clients, we encourage debate across the sector, provide thought leadership, pioneer solutions and bring people together. We identify issues that are preventing the charity sector from achieving its potential, explore ways to overcome them, and work with partners to catalyse change.

The principles behind this submission

NPC recognises how essential the annual return is for providing accurate and transparent information to a charity's key stakeholders—be they the public, donors, users or beneficiaries, and the sector more broadly.

As a core principle, NPC strongly believes in transparency in the charity sector: it is only possible for stakeholders to understand how charities operate if they have access to accurate, transparent information. This is especially important in the case of the annual return, which constitutes some of the most easily accessible information about a charity not hosted on its own website. It is also likely to be one of the first ports of call for stakeholders looking into a charity's work and activities.

Data collected through the annual return can also be a valuable source of analysis at a sector level, helping inform policy work to improve the impact of the sector. For charities, this sector-level data can provide a clear understanding of the context in which they are operating and enable them to develop strategies and potentially work more collaboratively with others.

It is essential this transparency does not place too great a burden on charities. The data collected should be proportional: not taking up too much time and resources to collect—which may well mean different requirements for charities of different sizes. It must also be workable: the required information should be meaningful and charities must realistically be able to collect it.

By requesting sufficient transparent information about how a charity operates that is both proportional and workable we believe the annual return can further support the sector in enhancing its impact.

Consultation response

It is good to see the Charity Commission considering how to improve the annual return. Although this stage of the consultation focuses on just a couple of changes, NPC looks forward to the second stage and the possibility of a more fundamental redesign of the return. We hope this would give the opportunity to shape the annual return in ways that further increases transparency and helps emphasise charities' impact more fully. Doing so would encourage behaviour change and helping transform how charities interact with their stakeholders.

While NPC's view on the first stage of the consultation is that broadly speaking it provides a sensible set of recommendations, there are some nuances that require further examination.

Keeping the fundamental information about each charity up-to-date

The first of the Commission's proposals is to ask charities to their fundamental information up-to-date throughout the year. The fundamental information is the basic administrative data about the charity including its name and contact details.

By keeping this information more up-to-date the Commission would help to create a more transparent sector. This would enable donors, supporters and other charities to be better informed about the state of individual charities—and the sector as a whole—thus allowing them to make choices that maximise their impact.

Keeping this information up-to-date needs to be done in a way that does not overburden charities. The method of providing this information ought to be quick and easy to use. It is especially important to consider that many small organisations are both time poor and may find interacting with digital products difficult, so some extra support may be needed to empower them to act upon this recommendation.

Questions that are focused to reflect the Commission's regulatory risk priorities

The second of the Commission's proposals looks at expanding and codifying some of the questions that will be asked. This would consist of groups of relevant questions known as themes. With certain themes only applied to relevant charities. The proposed themes are financial data, fraud and financial abuse, public trust and confidence, safeguarding, and terrorism and extremism.

Segmentation of questions has the potential to be helpful. Clearly categorising relevant information could help stakeholders to better understand the nuances of a charity. The diversity of themes is welcome. In particular, the theme *public trust and confidence* is essential given the current climate of declining of trust in charities, which threatens the capacity for the sector to deliver on its potential impact.

Getting charities to think about some of these challenges could encourage wider behaviour change. Focusing these questions only on organisations that are relevant helps to reduce the burden for organisations completing the return.

NPC has two concerns about these themes:

1. **Collecting data on safeguarding could create a regulatory burden.** Although the Charity Commission has a legitimate role in regulating charities who work with vulnerable beneficiaries, the primary responsibility for safeguarding sits with other agencies such as the Care Quality Commission or government agencies such as the police or local government. When requesting data on safeguarding the Charity Commission must avoid forcing a duplication of work on the part of charities, as well as creating confusion about which agencies they

should report to. The Charity Commission should be clear about why they are collecting data and work with the other relevant agencies to reduce the regulatory burden.

2. **How charities are sorted into different themes needs to be handled with great care.** This is especially true in the case of the *terrorism* theme. There is a serious potential that this could lead to unfairly targeting organisations based on their faith, or ethnic background. If this theme is used there would need to be a clear and transparent set of selection criteria, as well as a way for charities to appeal if they feel they are being unfairly categorised as needing to report in this area. If the information from these themes is to be made public (as currently, all significant information from returns is) it is also important to consider the potential reputational risk for an organisation being associated with some of these challenges. This makes the presentation of these themes particularly important.

TRANSFORMING THE CHARITY SECTOR

NPC is a charity think tank and consultancy which occupies a unique position at the nexus between charities and funders, helping them achieve the greatest impact. We are driven by the values and mission of the charity sector, to which we bring the rigour, clarity and analysis needed to better achieve the outcomes we all seek. We also share the motivations and passion of funders, to which we bring our expertise, experience and track record of success.

Increasing the impact of charities: NPC exists to make charities and social enterprises more successful in achieving their missions. Through rigorous analysis, practical advice and innovative thinking, we make charities' money and energy go further, and help them to achieve the greatest impact.

Increasing the impact of funders: NPC's role is to make funders more successful too. We share the passion funders have for helping charities and changing people's lives. We understand their motivations and their objectives, and we know that giving is more rewarding if it achieves the greatest impact it can.

Strengthening the partnership between charities and funders: NPC's mission is also to bring the two sides of the funding equation together, improving understanding and enhancing their combined impact. We can help funders and those they fund to connect and transform the way they work together to achieve their vision.

New Philanthropy Capital

185 Park Street, London SE1 9BL

020 7620 4850

info@thinkNPC.org

[@NPCthinks](https://www.instagram.com/NPCthinks)

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