

Charity Commission First Contact
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17 July 2013
Via email

Dear Sir,

Charity Commission: Developing the content of the annual return and information displayed on the register of charities

I am pleased to submit the Institute's response to the above consultation and trust the comments are useful to your deliberations on the Commission's development of the annual return and information displayed.

About ICOSA

The Institute of Chartered Secretaries and Administrators (ICSA) is the professional body qualifying and supporting company secretaries and corporate administrators in all sectors of the UK economy. Members are educated in a range of topics including finance, HR, company law, administration and governance, which enable them to add value to any organisation.

ICSA is a leading international voice on corporate governance and delivers a professional education that gains its strength in the breadth of the syllabus; designed to assist boards and work with senior managers to identify and maximise opportunities within relevant legal frameworks and established best practice.

The Institute has some 10% of UK Members directly employed in the not for profit sector, with many more involved on a voluntary basis in capacities such as trustees and school governors. In formulating the Institute's response to the above consultation document, Members covering large multi-million pound charities to small, local organisations were approached for their views given the depth of their knowledge of the sector, complying with relevant legislation and the importance of sound governance arrangements in effecting a change within the communities they operate.

General comments

The information currently requested is generally sufficient for the purposes of the regulator and the public. As a general principle, ICOSA would recommend that information only be collected where there is an identified need for it and that is put to a specific use. All questions relating to the regulatory annual return should be limited to those questions the Commission seeks answers from in order to perform its regulatory functions. Any further voluntary information can be posted on the charity's own website or any future option to add information to their register entry.

Some of the questions detailed below ask for information that can already be found within various documents of well governed charities. The proposals therefore, appear to repeat some of the criticisms levelled at the SIR, causing duplication and unnecessary bureaucracy.

While ICSA appreciates that the information detailed below is of interest to the regulator, sector commentators, funders and the general public there must be a balance that such measures are effective and proportionate.

Rather than including the information requested below within the annual return we would suggest that these questions are asked on a voluntary basis. This would enable the better governed charities to extract the information required or provide signposts to where that information can be found. For other charities, the questions will act as a prompt to trustees to discuss the need to gather such information and make it publicly available. Providing the opportunity to charities to present greater information voluntarily on the public register will also generate a degree of peer pressure, leading to more charities populating that information over time, thereby increasing transparency and hopefully accountability.

Response to consultation questions

Q1. Do you agree that we should ask the following questions in the annual return about raising funds and display this information on the register?

- **Does your charity raise funds from the public?**
- **If yes, do you work with a commercial participator?**
- **If yes, do you have an agreement in place with that commercial participator?**

If you don't agree that we should ask any of the above questions, please explain why?

The question and proposal is appropriate with regards to the reasons outlined in the consultation. However, the specific question regarding commercial participators will be of limited interest to the public, but of greater interest to the Commission. Perhaps a more general question asking for a breakdown of income sources may provide the wider information the public seeks, while enabling the Commission to pursue its information needs with supplementary questions regarding commercial participators.

Q2. Do you agree that we should ask whether a charity has a trading subsidiary?

This information will provide the public with a better understanding of how the charity generates its income. However, it would be more meaningful if the question asked how much, or what proportion of, funds are generated from the subsidiary. Where a charity does have a trading subsidiary, the Commission should provide the charity with an opportunity to provide a link to where further information can be found, or space for that information to be inserted on the public register.

Q3. Do you agree that we should ask a question in the annual return to find out whether the main activity of the charity is making grants and publish this information on the register?

For those interested in ascertaining more information about a particular charity, the proposal would provide that information in an uncomplicated manner. However, such information can already be elicited from a charity's annual report and other public-centred documents. Therefore, the proposal would result in a duplication of effort by the charity.

Q4. Do you agree that we should ask whether a charity has a written policy in the following areas?

- **Risk management**
- **Investment**
- **Safeguarding vulnerable beneficiaries**
- **Conflicts of interest**
- **Volunteer management**

▪ **Complaints handling**

Please provide details of any other areas that you think should have a written policy that we should ask about.

While the benefits to asking these questions will be of most interest to the Commission and those with an interest in the details of charity regulation and governance, the policies suggested do not apply to all charities and in some cases will be unnecessary or unduly burdensome. For example, not all charities work with vulnerable people and therefore would not implement such a policy. For small charities with limited funds it may not be appropriate to adopt an investment policy. As such, where a charity publicly states that it does not operate a specific policy, it could be deemed that the organisation is poorly governed, where in fact the policy detailed is not appropriate.

Furthermore, where a charity does indicate that it has a particular policy it could lead to a false assurance as the policy may have not been reviewed or updated for a considerable period of time, and the policy may not indeed be followed. Any requests for such information should, therefore be accompanied by supplementary questions that provide the necessary context for readers to make a reasoned judgment about the governance and administration of a charity.

Q5. Do you agree that we should ask whether a charity is regulated by a regulator(s) and/or registered with a registrar other than the Charity Commission and display this information on the register?

The proposal would make it easier for those interested in a particular charity to understand the regulatory frameworks it has to work within.

Q6. Do you agree that we should ask a question on the annual return about whether a charity pays one or more of its trustee for acting as trustee of the charity and display this information on the register?

This information should already be provided within the annual report and accounts as a requirement of SORP. The proposal therefore duplicates effort.

Q7. Do you agree that we should discontinue the SIR from 2014?

The sector's reaction to the SIR has been mixed and there appears to be little evidence to support the positive impact the SIR has made since its introduction. ICSA therefore supports the Commission's proposal to discontinue the SIR. As previously indicated however, we believe that the removal of the SIR should be accompanied by greater encouragement for charities to be more open and transparent about the success of the organisation in line with agreed plans and aims.

Q8. Do you agree that we should encourage charities to explain what they have achieved during the year and display this information in the register?

Yes, charities receive significant support from the public and benefits from the taxpayer, it is therefore appropriate that charities are encouraged to be as open and honest about their activities, success and failures as possible. Where a charity produces an annual review document or impact report, a link should be made available to that document.

Q9. Do you agree that we should show on the register if a charity is a member of the Fundraising Standards Board?

This information is likely to be of more use to those members of the public researching a particular charity while considering making a donation, or seeking an avenue to lodge a complaint. Any information about such membership would therefore benefit with a link to the FSBs website so that the reader could access more information about fundraising standards and agreed conduct.

Q10. Do you agree that we should display information about whether a charity was formed from the merger of two or more charities or whether a charitable company has been set up to receive the assets of an unincorporated charity?

This information would be useful to both sector commentators and potential/actual supporters of the charity providing trends on mergers in the sector and the history of the previous charities with regard to their services, trustees and success.

In both examples the information could be helpful to the charity in terms of its fundraising and applications for grants. It would provide continuity and history which has the potential to reassure donors and grant makers about the stability and sustainability of the charity.

Q11. Do you think that the proposals in this consultation would significantly increase the time it would take to complete the annual return?

For those charities with staff, and that are well governed, there will be a degree of inconvenience when first collecting and inputting the additional information requested. That effort is likely to reduce after the first year and increase when there are changes within the organisation. For those charities with no staff, or operating on a more informal basis, gathering such information is likely to present some increased workload. In some instances, this will be beneficial to the charity in improving their governance arrangements. For others, the information requested will be disproportionate to the size and scale of the activities undertaken.

It is hoped that the above comments are useful to you in your deliberations relating to the development of the charity register. Should you wish to discuss any points in further detail, or how ICOSA may be able to assist you in your endeavours on this topic, please do not hesitate to contact me.

Yours faithfully,

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