

Your ref:  
Our ref: CR

1<sup>st</sup> September 2022

Dear Sir/ Madam,

**Annual Return 2023 consultation – Bates Wells Response**

We are writing, in our capacity as charity law practitioners, to raise our concerns about the proposed changes to the Annual Return as laid out in the [Annual Return 2023 consultation](#). Bates Wells is a leading charity and social enterprise law firm, advising nearly 25% more charities in the top 3000 (by size) than any other law firm and ranked in the top tier in Legal 500 and Chambers UK. Our lawyers sit on the board of over 60 charities and so, in our roles as charity trustees, we have experience of compliance with Charity Commission reporting requirements.

1. As the Commission of course knows, the charity sector has faced several challenges over the past two years, both navigating the acute pressures of COVID-19 and also responding to the war in Ukraine. It is in this climate that the charity sector once again braces itself to withstand more pressure in the form of the cost of living crisis. The Charity Commission's chair, Orlando Fraser, recognised the coming difficulties in his foreword to the Commission's Annual Report 2021-2022, when discussing the cost of living crisis. Charities will face pressure at both ends, as they can expect both demand for their vital services to rise and crucial donations to their causes to fall.
2. The Annual Return consultation proposes to add 23 new questions to the Annual Return, doubling the number of core questions, which all charities complete, from 16 to 32. The maximum number of questions which could be completed by charities is also rising to 52, which is up from 36.
3. Considering the above, we are concerned about the burden that these proposed changes will have on charities when completing the Annual Return. Two central concerns are:
  - (a) The monetised cost for charities of the impact of gathering the new information to complete the updated Annual Return; and

- (b) The non-monetised cost of additional time which will be spent by charities responding to the updated Annual Return, which could result in time away from activities which support the delivery of their charitable objects.
4. We note that the Commission itself has acknowledged these additional questions will create an increased burden on charities. The Charity Commission's initial Regulatory Impact Assessment (RIA) of the impact of the new Annual Return proposals on charities estimates that the total increase in regulatory cost to all charities could be as much as £9m, with its best estimate at £4.95m.
  5. The consultation documents set out broad advantages to the sector from the Commission collecting this additional data, but we do not feel there is sufficient detail to assess whether the planned benefits to the sector, or to the Commission's regulatory role, have been clearly established.
  6. Also, in terms of timing, we can see this fits with commitments in the Commission's business plan for 2022-23 but wondered if the Commission has taken into account the fast changing landscape in 2022 when deciding if the time is right now to impose these increased burdens on charities.
  7. We appreciate it always difficult to time consultations for maximum engagement. However, we are concerned that this consultation has taken place over a 12-week period covering the school summer holidays, which may lead to reduced engagement from the sector and professional advisors. If there are lower than usual levels of engagement with the consultation, we hope the Commission will consider further steps to seek feedback from the sector before proceeding to implement these changes.

Yours sincerely,

**Bates Wells & Braithwaite London LLP**