

Welcome to the latest Not for Profit news bulletin from PKF Littlejohn. Our aim is to pull together current sector news, issues and opportunities in an easily digestible format for everyone involved in the financial, governance and strategic side of running a not for profit organisation.

## Charity Commission Annual Return 2018

The Charity Commission's new guidance on the **2018 Annual Return** (AR18) will apply to charities submitting their Annual Returns for financial years ending on or after 1 January 2018 (i.e. it does not apply to the year ended 31 December 2017).

The Commission's overall aim has been to make the Annual Return more proportionate, reducing the burden on many charities and only requiring additional information from those that are larger or have more complex operations.

On average, the Commission expects that charities will have to answer 15 fewer questions than before – though with new questions in eight areas the impact on an 'average' charity remains to be seen.

What are the key changes in AR18, and how can those charities affected prepare in advance to ensure that completion of the return is as smooth as possible?

- 1. Overseas activities** – AR18 will ask whether a charity received income from outside the UK, the value by country, and the value by source (e.g. Governments, NGOs, charities etc.) Values from individual donors or private institutions will be voluntary for the 2018 Annual Return, but mandatory for 2019. AR18 will also ask for total expenditure by country, and methods of money transfer (with totals) if this was outside of the banking system (e.g. PayPal). This information will not be disclosed on the public record.

The Commission has stated its aims are to understand overseas income sources for the sector and to allow for risk assessment. Some in the sector have commented that this sends a potentially damaging message, that overseas funding is somehow 'tainted'. The outcome is an increased burden on charities with overseas operations, and it will be necessary to ensure that the required information is available to complete the return.

- 2. UK government funding** – AR18 will ask for the total number and total value of grants and contracts from central and local government (separate totals). This information will be disclosed on the public record. The Commission's aims here are to identify charities which are heavily reliant on a single source of funding, though the consultation did highlight that the answers to these questions may not always help to identify such charities, and that for some types of charity (such as care homes), this is the norm.

There are complications around the definition of central and local government, the definition of grants and contracts (which is a complex area of charity financial reporting), and how multi-year agreements should be treated. The Commission has said that more guidance will be issued in due course. We encourage charities in receipt of government funding to review this guidance when issued and ensure that they have the necessary information available to complete the return.

- 3. Fundraising** – AR18 will ask whether a charity works with a commercial participator or professional fundraiser, and whether there is a written agreement in place. This information will be disclosed on the public record. Fundraising, and the use and oversight of third parties in this area become a very hot topic. The

We hope you find this bulletin helpful.

Contact Alastair Duke or Nicky Whitehead if you would like to discuss anything mentioned in more detail.



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Commission has stated that the reason for this question is to enable them to target charities at risk with relevant information and support.

This question should be easy to answer. The key issue is making sure that appropriate written agreements *are* in place, and that these are in line with the latest guidance issued by the Commission and the Fundraising Regulator (e.g. [Section 4 of the Code of Fundraising Practice](#) and [Charity fundraising: a guide to trustee duties \(CC20\)](#)).

- 4. DBS checks** – AR18 will ask whether the charity works with vulnerable beneficiaries, and whether DBS checks have been carried out.

The key issue is the importance of ensuring that where individuals are working with vulnerable people, the appropriate checks are performed and can be evidenced.

- 5. Update Charity Details** – A new online service called ‘Update Charity Details’ has been introduced to allow charities to update changes to their registered details as and when needed (e.g. their key activities, HMRC reference number and bank details). Questions in these areas have been removed from AR18, but charities will need to remember to update their details online when changes occur.
- 6. Other changes** – Other changes introduced in AR18 include questions around trustee payments, specifically whether there were any, not the value. AR18 will also ask for disclosure of the number of individuals receiving employee benefits above £60,000 - in the same £10,000 bandings as in SORP-compliant accounts but with bandings of £50,000 between £150,000 and £500,000, with a final banding of over £500,000. The return will also ask for the total employee benefits of the highest paid employee, though this will not be published.

The above are the key changes in AR18 which could lead to more, or different, information needing to be provided. We encourage charities to read the full consultation outcome in detail and consider whether there are any areas where new information needs to be captured now, for inclusion in the return in due course.

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**We hope you've found this issue useful. If members of your team or your trustees would like to receive future issues, please send their details to Julia Krol ([jkrol@pkf-littlejohn.com](mailto:jkrol@pkf-littlejohn.com)).**

**Our specialist team is here to help. If you would like advice on any of the issues discussed in this newsletter, please contact Alastair Duke or Nicky Whitehead (details provided above).**

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