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Charity Commission Administrative Burdens Measurement Exercise

Final Report

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Preface

Purpose of the report

The primary purpose of this report is to communicate the results of the Administrative Burdens Measurement Exercise (ABME) for the Charity Commission. The ABME forms part of the Government's wider Administrative Burdens Reductions Project (ABRP).

The report presents the administrative costs for the regulation in scope for the Charity Commission; it explains how the measurement was carried out, any variations in the planned implementation approach and how these were handled. It provides a primary level of analysis of the administrative costs measured for the Charity Commission.

As part of the reporting for the ABME standard text has been agreed and used within this report. Therefore some parts of the standard text may not be relevant to all departments but have been included to maintain consistency across the project.

Use of findings in the report

The results of the ABME offer the Charity Commission the opportunity to identify how changes to its regulations or the way in which it implements them in the future can help to reduce the cost to business of understanding and complying with them, and the time taken by enforcement officers to enforce them. It aims to provide those involved in regulating or enforcing regulation with the ability to:

- understand the scale of the administrative costs imposed by regulation;
- identify opportunities to reduce the overall level of the costs;
- monitor future progress in reducing the costs and conduct international benchmarking of the costs in the UK;
- integrate better regulation practices into policy making to help create culture change across government; and
- improve relationships and dialogue between those who regulate and those who are regulated.

The overall aim of the ABRP is to bring about culture change across government in the way policy is made as part of the broader better regulation agenda. The results of the ABME offer data to inform this process.

Governance of the ABME

Overall responsibility for initiating and coordinating the ABME has rested with the BRE within the Cabinet Office. The BRE's project team has been responsible for coordinating the work across departments, including the development and consistent application of the Standard Cost Model (SCM). The overall management and direction of the project has been through a Project Board chaired by BRE with representation from a number of departments. Departments have been responsible for the provision of information relating to the regulations in scope, the validation and sign off of data and the sign off of their respective reports.

A consortium led by PricewaterhouseCoopers (PwC) and including legal experts from DLA Piper and Landwell has been responsible for implementing the project supported by the BRE and the Charity Commission.

The nature of the results

Qualities of the estimates

The measurement has been carried out in accordance with the framework and methodology set out in the SCM.

The estimates of administrative costs contained in this report are indicative and are not statistically representative. The SCM measurement adopts a pragmatic approach to provide a reasonably consistent estimate of the administrative costs on business arising from regulation.

The estimates are of administrative costs of which administrative burdens are a part. The costs of some activities that business, charities and the voluntary sector would carry out regardless of regulatory requirements (business as usual costs) may be included. Equally some costs that may be regarded as associated with the underlying policy aim rather than being purely administrative may be included. Conversely, the costs of other administrative tasks, for example requirements that come from case law, are not included as they do not fit the SCM framework which is based on information obligations arising out of regulations. Looking forward, if the Government is to ensure that effort is focused on areas that business will feel the most benefit from, it will need to consider how to take into account business as usual costs in setting targets based on the estimates generated using the SCM.

Table conventions

The tables in this report include both monetary amounts and percentages. Where numbers have been rounded, a consistent method has been used. Figures have been rounded as follows:

- All percentages are expressed as whole numbers, rounded to no decimal places (e.g. 70.4% is rounded to 70% and 70.5% is rounded to 71%).
- All financial figures are expressed in millions, to one decimal place (e.g. £13.55m is rounded to £13.6m and £13.54m is rounded to £13.5m), except for the Median, Minimum and Maximum which are expressed in thousands, with no decimal places.

Due to the rounding of numbers and percentages, not all of the tables presented in this report will add up to the total shown or 100%.

A dash in the tables indicates that a percentage cannot be evaluated.

A common set of tables have been prepared for all of the reports to which the ABME applied. In some cases, the tables included show zero values as the table content does not apply to the report in question.

Report structure

This report for the Charity Commission sets out the background and objectives of the project, including the key areas of the Charity Commission's regulation affecting charities, the approach and methodology used to assess the administrative costs associated with regulation, quantitative and qualitative administrative cost results for the Charity Commission and resulting conclusions.

The report has been prepared by PwC using a common framework and guidance developed jointly with BRE and departments. The reports share the same structure and therefore this report includes generic text which has been agreed by the Project Board chaired by BRE. The report has been agreed with the department and the BRE.

An Executive Summary is included at Section 1 which provides an overview of the whole report – repeating key points and main findings. The main body of the report commences at Section 2.

In addition to the main body of the report, a set of annexed tables provide more detailed results.

Two separate documents (one included electronically on spreadsheets) provide more detail behind the results and a summary of how the methodology was implemented (The Technical Summary).

The measurement work reflected in this report was based on a snapshot of the administrative costs imposed by regulation as at May 2005. Since then, notably in May 2006, a number of changes have been made to the allocation of policy responsibilities across a number of government departments which affect departmental ownership of regulations. These changes have not been reflected in the reports but they will be reflected in departmental simplification plans.

1 Executive summary

1.1 Introduction

The Administrative Burdens Measurement Exercise (ABME) was launched by the Government in response to the Better Regulation Task Force's report, 'Regulation: Less is More' as part of the Chancellor of the Exchequer's Better Regulation Action Plan (BRAP). The aim of the ABME is to estimate the administrative costs incurred by the public and private sector¹ as a result of all regulations imposed by central government.

The project has covered all regulations in force as of May 2005 and has involved 15 other government departments and their agencies besides the Charity Commission. A parallel project has considered the administrative costs which arise from HM Revenue & Custom's (HMRC) operation of the fiscal system.

The measurement work reflected in this report was based on a snapshot of the administrative costs imposed by regulation as at May 2005. Since then, notably in May 2006, a number of changes have been made to the allocation of policy responsibilities across a number of government departments which affect departmental ownership of regulations. These changes have not been reflected in the reports but they will be reflected in departmental simplification plans.

The focus of the work has been on measuring the administrative costs of regulation rather than the compliance or policy costs. These are defined as "the costs of administrative activities that businesses and charities are required to conduct in order to comply with the information obligations that are imposed through central government regulation²".

It is anticipated that the results of the ABME will inform the process of setting and agreeing departmental targets for year-on-year net reductions in administrative costs and burdens. In this way, the project is expected to drive improvements in productivity and, hence, economic performance. Following the Chancellor of the Exchequer's Budget in March 2006, the Charity Commission is expected to prepare a detailed proposal for realising such targets, as part of a more general Simplification Plan.

The Better Regulation Executive (BRE) within the Cabinet Office co-ordinated the initiative to ensure consistency across departments and each department has been responsible for estimating the costs of its own regulations. A consortium led by PricewaterhouseCoopers (PwC) and including legal experts from DLA Piper and Landwell has led the implementation of the project supported by the BRE and the Charity Commission.

1.2 Approach and methodology

The ABME has been based on the application of the Standard Cost Model (SCM). This provides a simplified but consistent framework for estimating the administrative costs imposed on business and charities by central government regulation. The SCM was initially developed in the Netherlands and has also been extensively applied in Denmark.

The ABME was implemented between September 2005 and May 2006 in three phases:

¹ The public and private sector includes all businesses, charities and voluntary organisations.

² Definition from the Standard Cost Model Manual S3.1.4, page 15

- Phase 1 – Preparatory analysis: this primarily involved identifying and agreeing the regulations within the scope of the project and then breaking down these regulations into their constituent parts such that the information and data that businesses and charities are required to provide to government were identified and classified.
- Phase 2 – Time and cost data capture and standardisation: this was concerned with collecting the data needed to calculate the total administrative costs which result from each of the requirements identified in Phase 1, including the number of organisations required to comply and unit costs per organisation. The data were collected, reviewed and assessed on a continuing basis to ensure they were credible and representative of the ‘normally efficient business or charity’.
- Phase 3 – Calculation, data submission and reporting: this focused on processing the data collected and producing this report on the administrative costs imposed by regulations on an organisation.

1.3 Properties of the cost estimates

The estimates of administrative costs included in this report are based on the application of the SCM which is designed to produce consistent estimates and so enable measurements to be compared and targets for reductions to be set across government. The SCM relies on deriving estimates of the standard cost of meeting each IO/DR within a regulation for a ‘normally efficient business or charity’. Given the need to manage the overall costs of data collection while providing information about a very large number of IO/DRs, the SCM relies on the input of a limited number of experts and/or businesses/charities. As such, it does not produce a statistically representative measure of costs: instead, it is a pragmatic approach to measurement that gives an indicative estimate of the magnitude of costs which provides a starting point for setting reduction targets and highlighting the areas of focus. Moreover, the nature of the estimation process means that the greater the level of disaggregation of the cost estimates, the greater the potential margins of error surrounding the cost estimate. Nonetheless, experience from Denmark and the Netherlands demonstrates that using SCM-based estimates of administrative costs can provide a useful framework within which to focus efforts to reduce burdens.

In interpreting the results of the application of the SCM, it is important to recognise that the SCM provides an estimate of administrative costs of which administrative burdens are a part. The costs of some activities that business, charities and the voluntary sector would carry out regardless of regulatory requirements (business as usual costs) may be included. Equally some costs that may be regarded as associated with the underlying policy aim rather than being purely administrative may be included. Conversely, the costs of other administrative tasks, for example requirements that come from case law, are not included as they do not fit the SCM framework which is based on information obligations arising out of regulations. Looking forward, if the Government is to ensure that effort is focused on areas that business and charities will feel the most benefit from, it will need to consider how to take into account business as usual costs in setting targets based on the estimates generated using the SCM.

1.4 Key regulatory areas in scope

For the Charity Commission, the ABME has covered nine regulations all of which are classified as domestic regulations in origin. For these regulations the Charity Commission is considered to be the primary owner, although the Charity Commission is dependent on another government department for changes to the primary legislation and almost all regulations.

The project covers four main regulatory areas:

- Charities Act 1993;
- Charities (Accounts and Reports) Regulations – 1995, 2000 and 2005;
- Charities (Annual Return) – 2003 and 2005; and
- other smaller regulations.

One significant obligation, relating to ‘keeping accounting books and financial records’ within the Charities

Act 1993, was excluded from the final results to ensure consistency with the equivalent Department of Trade and Industry (DTI) project in the UK.

There are many other regulations that impact on charities but these have been excluded from this report as they are covered in the work done for other departments. For example, in this project, the House to House Collections Act 1939 falls within the remit of the Home Office. Other areas of regulation that impact on charities, such as Health & Safety and matters relating to employment, are not considered in this report but in other departmental reports, for example, the Home Office and the Health & Safety Executive.

1.5 Implementation variations

The key variations to the approach and methodology in Section 1.2 that were implemented for the Charity Commission are as follows:

A number of regulations have different dates of implementation, for example, the Charities (Annual Return) Regulations 2003 and 2005. It was agreed with the Charity Commission that regulations would be attributed to charities based on their financial reporting year end date. This ensured that only one regulation was applicable to each charity based on the year end, hence removing any duplication.

Non standard segmentation was applied to a number of IO/DRs relating to the preparation of the annual report and accounts and the annual audit of accounts. The IO/DRs to be segmented were selected where the population was large and it was considered that the time taken to meet the obligation would vary significantly based on the size of the charity.

1.6 Overall results

The total administrative cost for the Charity Commission was estimated as £277m.

Of this cost, almost 77% (£212m) arose from only ten IO/DRs. These high cost IO/DRs were from two main groups of regulations, namely the Charities Act 1993 and the Charities (Accounts and Reports) Regulations (1995, 2000 and 2005). A significant proportion of the costs arising from these regulation areas relate to costs associated with accounting and financial reporting requirements (incorporating the requirements to have an independent examination and/or audit).

The total estimated administrative cost is made up of 51% internal costs (including overheads of 12%) and 49% external costs. Within internal costs, the two largest activity types are preparing figures and reporting which account for 29% and 25% respectively of the time taken up by the seven different standard administrative activities measured in the project. A large proportion of the external costs relate to the provision of support by accountants / auditors to comply with the regulations, in relation to the requirement to have an annual audit or independent examination.

The majority of the estimated administrative costs for the Charity Commission (£276m) relate to non-third party obligations. The remaining costs relate to third party IO/DRs (i.e. charities being required to include an indication of status on documents (either that a charity is registered or, for many charitable companies, that it is charitable) or giving public notice).

1.7 Conclusions

In interpreting the results emerging from the ABME it is important to understand the significance of the scale and distribution of the estimated costs. The total administrative costs for the Charity Commission across the nine regulations reviewed as part of this project were estimated at £277m. These costs are concentrated in two main groups of regulations, the Charities Act and Charities (Accounts and Reports) Regulations.

Furthermore, it is important to understand to what extent the costs which have been measured within the context of the ABME represent genuine administrative burdens for the charities which incur them. There are three key issues:

- First, consideration needs to be given to the extent to which the activities that charities are required to

undertake in order to meet a particular IO/DR are ones which they would not otherwise perform. It is possible that given the types of IO/DRs arising from the Charity Commission's regulations, a number of activities would be conducted anyway as part of good governance processes regardless of the regulations.

- Second, the ABME has attributed a cost to the time of all individuals involved in enabling a charity to meet its IO/DRs regardless of whether they are paid employees or volunteers. To the extent that volunteers' time is used, any reduction in the time required arising from an initiative within the Commission's simplification plan may not reduce a charity's need for cash or their overall expenditure in any given year, although it may allow volunteers to use their time in different ways.
- Third, a significant proportion of the Charity Commission's regulations, and the areas that are driving the administrative cost, are largely intended to enhance transparency and accountability. Therefore, it may be a challenge to distinguish between the administrative costs and policy costs. The implication of this is important. To the extent that the Charity Commission seeks to reduce the estimated administrative costs associated with these regulations, there may be a risk that the effectiveness of the policies could be affected.

Putting the Results in Context

As is mentioned elsewhere the total figure does not only represent actual expenditure as it includes a great deal of costed voluntary work. The overall figure should therefore be seen in the context of the overall size of the sector. For example, the income of registered charities suggests that the annual income of the sector as a whole is around £50 - £55 billion.

Similarly the analysis of the value of volunteers in the 2006 NCVO Almanac suggests that they contribute around £30 - £40 billion a year to charities in England and Wales.

£277.5 million therefore represents less than 0.5% of the total income/voluntary effort of the sector.

Figures on HMRC's website suggest that charities receive £1.8 to 2 billion of relief (income tax, business rates and so on). Using the above figures would mean that for every £1 spent on complying with the regulatory framework charities receive around £6.50 in financial benefits.

The results should also be seen in the context of the wider benefits of the charity regulatory framework not only to charities but also to the public and other stakeholders.

Reducing the Burden

In considering how the Charity Commission might take steps to reduce the administrative costs and burden associated with the most costly regulations it owns, three key questions need to be considered:

- Can the frequency with which charities are required to meet an obligation be reduced?
- Can the number of charities affected by the regulations be reduced?
- Are there new ways in which the burden of meeting each IO/DR can be reduced?

Many charities interviewed during the project specifically provided us with qualitative findings. This suggests that charities may have a significant contribution to make regarding the future simplification of the regulatory framework and would probably like to be consulted during the next stage.

Clearly these questions are only 'food for thought' in the early stages of the next part of this project to identify and implement simplification plans. The Charity Commission have already started to make steps to consider how the information provided by this exercise can be brought into their wider simplification plans.

The key task now is to start to identify those areas where simplification activities can deliver savings in terms of the administrative costs incurred by charities.

Charities Bill

The Charities Bill contains a number of proposals to simplify things for charities, particularly small charities. While many of them will be very helpful for charities in specific circumstances they may not have a significant impact on the baseline as they are likely to be used by relatively few charities per year.

The Bill also proposes to raise the audit threshold. This will have some impact on the baseline but again is a relatively low population requirement.

Review of Thresholds

Approximately 90% of the Commission's baseline is attributable to accounts and reporting. It follows that proposals to significantly reduce burden will largely focus on these areas. The Commission will now look beyond the Bill proposals to identify more measures to reduce the burden on charities. The government is committed to reviewing the thresholds in the legislation within a year of Royal Assent. This will be an ideal opportunity to look at simplification proposals in this area and to consult on specific suggestions. If the Bill does not proceed we would suggest that the review happens as part of the simplification agenda.

We would note, however, that requirements of this kind can be central to the accountability and transparency of charities and, as mentioned earlier, there may be limited scope to remove them altogether. If this is the case, however, the Commission will explore other ways of reducing the burden.

Annual Return - Including the Summary Information Return (SIR)

The Commission makes the Annual Return regulations itself and reviews them annually. After the last review 56,000 charities no longer had to complete one of the sections of the return. The Commission will take account of reduction issues in the next review and are already committed to reviewing the SIR in 2007.

Online Services

The Commission is developing the services it offers to charities online. A number of initiatives were introduced in 2005/6. For example, charities can now submit their accounts and amend their register details online. The Commission expect online registration to be introduced in 2006/7.

2 Introduction

This report describes the work which has been undertaken in relation to the Charity Commission as part of the Administrative Burdens Measurement Exercise (ABME) which forms part of the Government's Administrative Burdens Reductions Project (ABRP).

This introductory Section is divided into three further parts:

- An explanation of the general background and objectives of the ABME and its relationship to both the ABRP and the Government's Better Regulation Action Plan (BRAP) followed by a description of the scope of the exercise, the timetable for the work and the roles and responsibilities of those involved in its delivery. A list of definitions is included within the glossary attached to the report.
- An overview of the regulations for which the Charity Commission is responsible and which have been covered by the ABME.
- A summary explanation of the approach and methodology which have been adopted.

Therefore some parts of the standard text may not be relevant to all departments but have been included to maintain consistency across the project.

2.1 Background

In March 2005, the report by the Better Regulation Task Force (BRTF), 'Regulation: Less is More', recommended that the Government should follow the example of the Dutch Government and use the Standard Cost Model (SCM) to measure the administrative costs caused by regulation and then to set targets for their reduction, focusing in particular on the burden.

This recommendation was readily accepted by the Government and, in May 2005, the Chancellor of the Exchequer launched the Government's Better Regulation Action Plan which included a commitment to undertake the measurement exercise. Subsequently, two related projects were launched:

- one project, led and coordinated by the Better Regulation Executive (BRE), which sits within the Cabinet Office, has assessed the administrative costs arising from the information obligations/data requirements (IO/DRs) associated with the regulations of 16 government departments; and
- a parallel project, led by HM Revenue & Customs (HMRC), has assessed the administrative costs associated with the UK fiscal system, with a particular emphasis on understanding the impact on small firms.

2.1.1 Objectives

The ABME is of strategic importance. Government ministers have stressed the potential contribution that reductions in the burden of administration can make to reducing unnecessary costs facing the private sector, including charities, and so driving improvements in productivity and, hence, economic performance. The Charity Commission sees the identification and measurement of administrative costs as a necessary prelude to, and driver for, regulatory simplification, a broad term encompassing activities from consolidation and codification of regulations to simplification of guidance. The ABME offers the

Charity Commission the opportunity to identify how changes to its regulations or the way in which it implements them in the future can help to reduce the cost to business/charities of understanding and complying with them, and the time taken by enforcement officers to enforce them. If compliance rates can be increased at the same time as a result, this will deliver improved policy benefits, for example in terms of greater consumer protection or enhanced environmental protection. Reflecting this, the ABME aims to provide those involved in regulating or enforcing regulation with the ability to:

- understand the scale of the administrative costs imposed by regulation;
- identify opportunities to reduce the overall level of the costs;
- monitor future progress in reducing the costs and conduct international benchmarking of the costs in the UK;
- integrate better regulation practices into policy making to help create culture change across government; and
- improve relationships and dialogue between those who regulate and those who are regulated.

Experience from both the Netherlands and Denmark suggests that there is considerable benefit in conducting a measurement exercise even before considering a burdens reduction programme. Identifying and understanding where costs stem from and areas where the costs are particularly high allows departments to adopt a more strategic approach to regulatory reform.

2.1.2 Scope and timescale

The scope of the ABME is wide. It seeks to assess the administrative costs (as opposed to the policy/compliance costs) imposed on all parts of the public and private sector. This is taken to comprise businesses, charities and voluntary organisations³. The total administrative costs are calculated as the sum of the time related costs plus the expenses incurred in procuring the necessary external goods and services.

The ABME covers all regulations in force as of May 2005 and extends to cover all Whitehall departments and their related agencies and Non-Departmental Public Bodies (NDPBs). The exceptions are the Ministry of Defence, the Foreign & Commonwealth Office, the Department for International Development and the Cabinet Office: these departments have no regulations which fall within the scope of the ABME.

The measurement work reflected in this report was based on a snapshot of the administrative costs imposed by regulation as at May 2005. Since then, notably in May 2006, a number of changes have been made to the allocation of policy responsibilities across a number of government departments which affect departmental ownership of regulations. These changes have not been reflected in the reports but they will be reflected in departmental simplification plans.

Legislation for which devolved Governments in Scotland and Wales are responsible was not within the scope of the exercise. However, the project team interviewed businesses in Scotland and Wales where UK-wide regulation impacts on these areas.

Work on the ABME has been undertaken between September 2005 and May 2006.

2.1.3 Roles and responsibilities

Overall responsibility for initiating and coordinating the ABME has rested with the BRE within the Cabinet Office. The BRE's project team has been responsible for coordinating the work across departments, including the development and consistent application of the SCM. The overall management and direction of the project has been through a Project Board chaired by BRE with representation from a number of departments. Departments have been responsible for the provision of information relating to the regulations in scope, the validation and sign off of data and the sign off of their respective reports.

³ This is based on the definition of the private sector used by the Office for National Statistics for national accounts purposes.

A consortium led by PricewaterhouseCoopers (PwC) and including legal experts from DLA Piper and Landwell has been responsible for implementing the project supported by the BRE and the Charity Commission.

For the duration of the project, the Department established a Reference Group to deliver these responsibilities. The group comprised senior officials from the department as well as the BRE and PwC. The role of the Group has been to ensure that the work undertaken is consistent with the methodology implied by the SCM and that key decisions are recorded.

In addition, the Department created a Monitoring Group to review progress at key stages of the project. The Group comprised senior officials from the department, a member of the BRE's Administrative Burdens Reduction Team, several representatives from the charity sector and a representative of PwC.

The report has been prepared by PwC using a common framework and guidance developed jointly with BRE and departments. The reports share the same structure and therefore this report includes generic text which has been agreed by the Project Board chaired by BRE. The report has been agreed with the department and the BRE.

2.2 Overview of regulation affecting the private sector

This section provides an overview of the regulations for which the Charity Commission is responsible and which have been covered by the ABME.

2.2.1 Scope and objectives of the department

The voluntary and community sector is growing rapidly - in size, scope and impact on society. At the same time both Parliamentary and public expectations for the regulation of this sector are evolving. The Charity Commission, as regulator for charities in England and Wales, must anticipate and respond efficiently in this changing environment. The Commission strives to:

- Be a modern regulator, focussing on the needs of charities and the public;
- Be proactive, strategic, and outcome-focussed;
- Work in an open way, valuing partnerships, and engaging in dialogue with all stakeholders; and
- Meet government efficiency targets.

In the recent publication "The Charity Commission and Regulation" the Commission set out its view of the need for its regulatory functions as follows:

"Charities are free and independent organisations whose work is essential to society. But we need a charity regulator which regulates on behalf of those who give to and benefit from charities, and on behalf of wider society:

- To ensure that charities meet the legal requirements for being a charity, and are equipped to operate properly and within the law;
- To check that charities are run for public benefit, and not for private advantage;
- To ensure that charities are independent and that their trustees take their decisions free of control or undue influence from outside; and
- To detect and remedy serious mismanagement or deliberate abuse by or within charities.

Our work, our partnerships with other regulators, and charities' own work to manage their affairs, should result in public confidence in charities and the work they do."

2.2.2 Departmental activities

Governance responsibilities for strategy and the future direction of the Charity Commission rest with its Board of non-executive Commissioners. Under the current structure of the Charity Commission, which was established by the Charities Act 1993, there must be at least three and no more than five Commissioners, two of whom must be legally qualified. These Commissioners are currently appointed by another government department. They have a range of functions including taking decisions on major cases. In practice, staff acting under delegated powers exercise most of the powers of the Charity Commission. It is proposed that the structure of the Charity Commission will change if the current Charities Bill is enacted in 2006.

Corporate decision making that affects the day-to-day operation of the Commission is delegated to the Executive Group, which is chaired by the Chief Executive and includes three Executive directors. The directorates led by the Executive directors are:

- Legal and Charity Services;
- Policy and Effectiveness; and
- Information and Corporate Services.

In addition the Governance Unit reports directly to the Chief Executive.

The Commission aims to meet its regulatory objectives by:

- Applying sophisticated risk-based and proportionate regulation;
- Placing considerable emphasis on its enforcement role, ensuring that charities comply with their legal obligations;
- Enhancing its joint-working with the sector and share knowledge by working in partnership with umbrella groups;
- Developing trustees' and the public's knowledge and understanding of charities through tailored and improved online services; and
- Continually improving the one-to-one services they provide to charities.

Gathering and dissemination of information

A significant element of the regulatory work of the Commission is the gathering and dissemination of information in order to maintain an up-to-date register of charities, monitor regulatory compliance and inform the wider public about the activities of registered charities. It is in this area that the most direct regulatory burden falls on many charities. Charities are required to provide a significant amount of information to the Commission through, for example, the submission of annual reports and accounts, an annual return and, for those charities with incoming resources over £1million, an annual summary information return (SIR) which has been introduced as part of the 2005 Annual Return.

In the case of the annual report and SIR the amount of information required of charities has been substantially increased by recent developments as detailed below:

- Against a background of increased focus on the transparency of reporting by charities, the recently updated Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP2005) introduced much more detailed and specific requirements for the content of the Trustees' Report. Charities will be expected to include a significant amount of narrative, quantitative and qualitative information. The Charity Commission is the SORP making body. The detailed recommendations are developed by an advisory committee including sector experts on accounting and reporting issues. It also reflects the differing legal jurisdictions of the UK. The SORP is published under the auspices of the Accounting Standards Board which provides some technical assurance that the recommendations

are consistent with published and anticipated accounting standards.

- The concept of the SIR originated in the Prime Minister's Strategy Unit's 2002 report, Private Action, Public Benefit. This recommended that information about the impact of charities' work should be more readily available to the public, including specifically by the introduction of the SIR. The Government's response tasked the Charity Commission with taking this recommendation forward. After consultation it was decided that this could best be achieved by including the SIR in the Annual Return but only for charities with incoming resources over £1 million. The SIR requires such charities to summarise their key aims, activities and achievements in a manner consistent with the more detailed information contained in their Trustees' Annual Report and Accounts, their Annual Reviews, their websites and other published information.

2.2.3 Related agencies and NDPBs

For the purpose of AMBE there are no related agencies or NDPBs for the Charity Commission.

2.2.4 Key regulatory areas in scope

The table below summarises the key regulatory areas within the scope of the exercise.

Table 1: Regulatory areas covered by the project and charities affected

Organisation area or reporting unit	Policy area	Type of regulation(s)	Type of organisations affected
Charity Commission	Performance and Planning	<ul style="list-style-type: none"> • Compliance • Provision of information • Governance • Financial reporting • Financial management 	<p>Charities:</p> <ul style="list-style-type: none"> • Registered - subject to certain size criteria, all the regulations of the Charity Commission will be relevant to registered charities. • Excepted - apart from the requirement to register with the Commission and subject to certain size criteria, most of the regulations of the Charity Commission will be relevant to the excepted charities. • Exempt - these are generally outside the Commission's jurisdiction and so many of the Charity Commission regulations will not be applicable to exempt charities. There is currently a significant variety in the level of regulation to which exempt charities are exposed, with a large number of them not being regulated actively from a charity law perspective. This is one of the regulatory gaps that the Charities Bill is aiming to fill. <p>Others: e.g. Auditors</p>

An initial list of 39 regulations was prepared by the Charity Commission and submitted to the BRE. A final list of nine regulations was agreed. The key reasons for the reduction in the number of regulations are as follows:

- As a general comment, the Charity Commission is dependent on another government department for changes to the primary legislation and almost all regulations. However, in the context of this review, the Home Office was considered to be the primary owner of six charity specific regulations. These regulations have been removed from the Charity Commission list and are included on the Home Office list (see section 2.2.5 for details). This includes the Charities Act 1992 where all of the information obligations, relating to this regulation, are submitted to or monitored by the Home Office, therefore the Home Office is considered to be the primary owner of the regulation, although the Charities Act 1993 remains in the Charity Commission's list.
- Some of the obligations have required action by charities so infrequently that it was not considered necessary to include these in the measurement exercise. For example, one with its roots in the 1960 Charities Act has only been used around three times in 40 years. However, the fact they have been

identified means they can be looked at as part of wider simplification measures.

- The various sections of the Charities Act 1993 were originally listed as separate regulations. It was agreed that the Charities Act 1993 would be treated as one regulation. This alone reduced the number of regulations by 16.

It was also necessary to add a regulation to the list.

- Charities (Annual Return) Regulations 2003 – at the ABME measurement date of May 2005 charities were either subject to the 2003 or 2005 Annual Return regulations, depending on the financial year end of the charities. Therefore both regulations were considered in this exercise.

A full list of the agreed regulations for the Charity Commission is as follows:

- Charities (Accounts and Reports) Regulations 1995, 2000 and 2005;
- Charities Act 1993;
- Charities (Annual Return) Regulations 2003 and 2005;
- Charities (Receiver and Manager) Regulations 1992;
- Reverter of Sites Act 1987; and
- Charities (Misleading Names) Regulations 1992.

These nine regulations have been mapped to identify the number of Information Obligations and Data Requirements for each regulation.

Whilst the Charities (Misleading Names) Regulation 1992 has been included in the list and mapped during the project, there were no administrative costs associated with this regulation as the IO/DR was considered to be duplicated by a broader IO/DR within the Charities Act 1993. This duplication occurs as the Charities (Misleading Names) Regulation provides additional details and the intentions of the Charities Act rather than new requirements for charities.

With the exception of one part of the Charities Act 1993, which relates to Scottish Charities, the Charity Commission regulations relate only to charities in England and Wales. Charities in Scotland and Northern Ireland are subject to different regulatory frameworks, derived from separate legislation neither owned nor initiated by the Charity Commission. Therefore charities in Scotland and Northern Ireland will fall outside the scope of the population measures for this exercise.

Summary statistics relating to the regulations included within the scope of the measurement exercise can be found in Table 2.

Table 2: Number of regulations and information obligation/data requirements

	Number of regulations	Number of information obligation/data requirements (IO/DRs)
Charity Commission / Performance and Planning	9	132
Charity Commission total	9	132

Footnote: Table 2 shows the number of IO/DRs which have been measured as part of the project. In the vast majority of cases each IO has a corresponding DR which is unique: however, in a small number of cases, an IO has more than one DR, each of which has been measured separately.

2.2.5 Key linkages with other departments

As noted above, charities are subject to regulations which apply to all registered businesses such as the Health & Safety regulations; however these regulations are owned by other departments. Charities will be included in the populations used to calculate the administrative cost for these regulations. The cost of these regulations will be reported as part of the results of the departments who own them and will not form part of the Charity Commission's report.

There are six charity specific regulations deemed to be owned by the Home Office. Again the administrative cost associated with these regulations will form part of the Home Office report and will not be part of this report. The charity specific regulations on the Home Office list are:

- Charities (Qualified Surveyors' Reports) Regulations 1992;
- Charitable Institutions (Fund-Raising) Regulations 1994;
- Charitable Collections (Transitional Provisions) Order 1974;
- House to House Collections Act 1939;
- House to House Collections Regulations 1947; and
- Charities Act 1992.

A number of charities are also registered companies and thus fall within the remit of the Companies Act 1985. To ensure that there has been no duplication all charitable companies have been excluded from the population data applied against IO/DRs in the Charity Commission's regulations in relation to "preparing statutory accounts" as it is deemed that these charities will be covered within the Department of Trade and Industry (DTI) report. Charitable companies are still included in population data referring to "the production of annual reports", as it is believed that this is a specific 'charity' requirement for those organisations.

There are also a number of registered charities that are registered social landlords (RSLs). These charities are similarly excluded from the Charity Commission's population data as they have been covered by the Office of the Deputy Prime Minister's (ODPM) report.

2.2.6 Origin of regulations

Table 3 describes the origin of the departmental regulations agreed to be in scope at IO/DR level according to the classification scheme outlined in the SCM Manual. There are three categories described as follows:

- Category A – obligations that are exclusively and completely a consequence of EU rules or other international obligations (i.e. the international rules describe which information businesses have to produce);
- Category B – obligations that are a consequence of EU rules and other international obligations where the purpose has been formulated in the international rules but where implementation has been left to individual Member States (i.e. the international rules do not describe which information businesses have to produce); and
- Category C – obligations that are exclusively a consequence of rules formulated at national level.

Table 3 describes the origin of the Charity Commission's regulations at IO/DR level according to the classification scheme outlined in the SCM.

In the case of the Charity Commission all regulations are domestic in origin.

Table 3: Number of information obligation/data requirements by origin

		International, no domestic discretion (A)	International, domestic discretion (B)	Domestic (C)	Total IO/DRs
	Number of regulations	Number of IO/DRs	Number of IO/DRs	Number of IO/DRs	
Charity Commission total	9	0	0	132	132

Footnote: The table shows the number of IO/DRs which have been measured as part of the project. In the vast majority of cases each IO has a corresponding DR which is unique: however, in a small number of cases, an IO has more than one DR each of which has been measured separately

2.2.7 Description of the characteristics of the regulated organisations

All of the organisations that are affected by the regulations covered in the Charity Commission report are charities, as indicated in Table 1. However, there are a number of different categories that have been used in order to establish the most meaningful population statistics for the measurement of each IO/DR. These are:

- Registered charities.
- Excepted charities – those charities that do not have to register with the Charity Commission but, in most other respects are fully within the Charity Commission jurisdiction, for example, the Scout and Guide associations and armed forces charities.
- Exempt charities – those charities that are exempt from registration with the Charity Commission (and they cannot register with the Charity Commission even on a voluntary basis) because they generally have some other form of supervision approved by Parliament under statutes other than the Charities Act 1993, for example, universities and museums.

Any of these organisations could also be registered companies.

2.3 Overall approach and methodology

This Section of the report summarises the activities carried out across the project in each of the three main phases of the ABME to apply the SCM:

- Phase 1 – Preparatory analysis;
- Phase 2 – Time and cost data capture and standardisation; and
- Phase 3 – Calculation, data submission and reporting.

A more detailed description of the steps undertaken can be found in the Technical Summary paper accompanying this report.

At the end of the Section, the bespoke project management information system, ABR.net used during the project is described and any methodological variations adopted by the Charity Commission are set out.

2.3.1 Phase 1 – Preparatory analysis

Phase 1 primarily involved identifying and agreeing the regulations that affect the private sector and were within the scope of the ABME, breaking down the regulations ('mapping') into their constituent parts, categorisation of the information obligations (IOs) and data requirements (DRs) and broad identification of the sectors affected by each of the IO/DRs.

Identification of regulations in scope

For the purpose of the ABME, a **regulation** was defined as “a rule with which failure to comply would result in a business/charity coming into conflict with the law or being ineligible for continued funding, grants and other applied for schemes”⁴. In effect, this definition covered all measures with legal force imposed by central government and other schemes operated by central government.

During September 2005, the department submitted a list of regulations to be used as the basis of the ABME. Validation and consistency checks were performed by the BRE and PwC to ensure that the list did not include:

- duplications (a regulation appearing on the list more than once);
- truncations (a single entry on the list, e.g. “One Act and 11 Statutory Instruments” when it should appear as 12 individual entries);
- omissions (regulations expected to be in scope and not on the list);
- mis-named or inappropriate regulations (e.g. the “Horse-Drawn Omnibus By-Laws”); and
- demarcation issues (regulations where the IO/DRs might fall under the ambit of more than one department).

For most departments the list of regulations in scope was identified by mid-October 2005. A full list of the regulations is provided in the spreadsheets accompanying this report.

Mapping the regulations

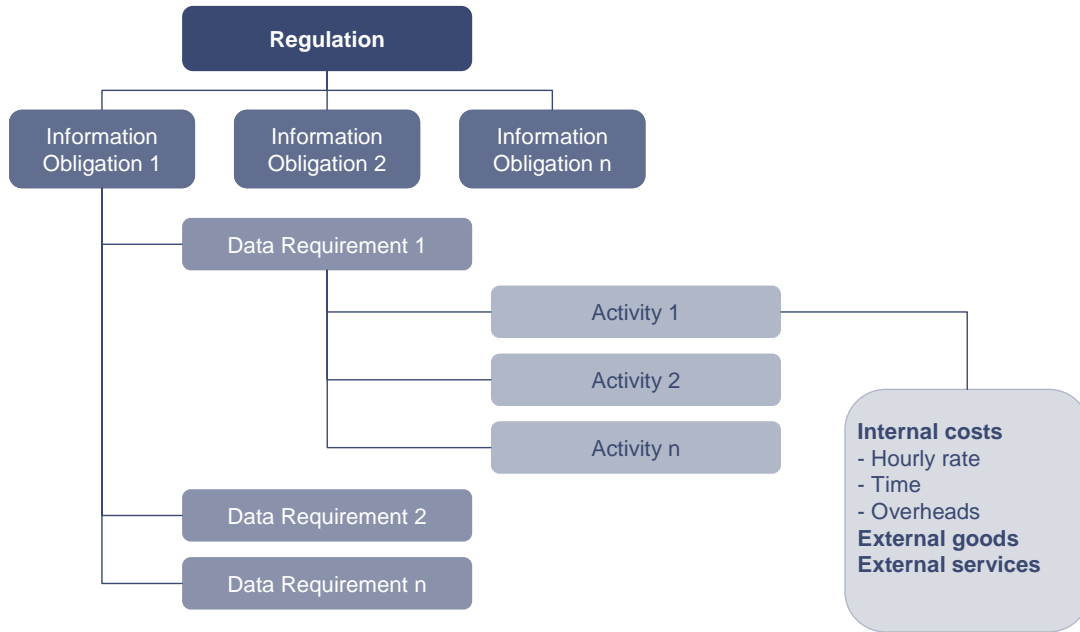
The SCM provides a way of breaking down a regulation into a range of manageable components the costs of which can be measured. These components are essentially items of information that businesses and charities, as a consequence of regulation, have to provide and submit to organisations typically within the public sector.

Each regulation was broken down (‘mapped’) into IOs and DRs (see Figure 1 below):

- An **information obligation** (IO) is a duty to procure or prepare information and subsequently make it available to a public authority or a third party, as well as a duty to facilitate the collection or preparation of information by others, e.g. by permitting and cooperating with an audit, visit or inspection. It includes regular requirements to read guidance and updated rules, for example rules which are updated annually. An IO does not necessarily require information to be sent to a public authority: it may also be directed towards third parties, such as consumers or employees. Each regulation may contain several IOs.
- Each IO consists of a range of different information or data that a business/charity shall provide in order to be able to comply with the IO – these are the **data requirements** (DR). For example, as part of submitting its annual accounts (the IO), a business/charity may need to supply a range of data such as a management report and endorsement or a balance sheet. Each IO may contain several DRs.

⁴ A full definition of inclusions and exclusions within a regulation is defined in the Standard Cost Manual

Figure 1: Breakdown of a regulation



Two legal firms, Landwell and DLA Piper, undertook the legal mapping process. This involved reviewing the regulations to identify IOs and DRs, and associated ancillary data such as frequency (the number of times that a business delivers an information obligation per year) as required by the SCM. As the legal mapping progressed supplementary guidance was developed to ensure that emerging issues that were not answered by the SCM were dealt with consistently across the project.

As each regulation was mapped and reviewed, the relevant data were input into ABR.net⁵. The PwC mapping team then undertook the process mapping which involved:

- developing 'plain English' descriptions of the IO/DRs identified by the legal team, to be used in the Phase 2 fieldwork;
- identifying the IO type largely based on the predetermined list outlined in the SCM:
 - 1 *Returns and reports* – e.g. details of pupil admissions to independent schools;
 - 2 *Applications for permission for or exemption from* – predominantly applications for licences e.g. to sell spirits;
 - 3 *Applications for authorisation* – to carry out certain activities e.g. authorisation as a sewer contractor;
 - 4 *Notification of activities* – e.g. notification to the local authority of the transportation of a dangerous cargo;
 - 5 *Entry in a register* – e.g. application for entry in the register of trademarks;
 - 6 *Carrying out inspections* – the business itself carrying out inspections of machinery and equipment that can represent a risk to health or the environment, or monitoring the conditions for employees;

⁵ A bespoke project management information system used as a repository of all data used in the ABME. See fuller description in S2.3.

- 7 *Applications for subsidies or grants* – e.g. a subsidy for job training;
 - 8 *Keeping commercial emergency plans and programmes updated, etc.* – including manuals and emergency plans;
 - 9 *Cooperating with audits/inspections* – informing and assisting inspectors who carry out inspections of and auditing work for a business or charity, or who visit a business or charity in connection with enforcement of a regulation;
 - 10 *Statutory labelling for third parties* – including labelling products or installations with consumer information, e.g. energy labelling of domestic appliances;
 - 11 *Providing statutory information for third parties* – e.g. a financial prospectus to accompany investment products;
 - 12 *Framing complaints and appeals* – submitting complaints about and (possibly later) appealing against a decision made by the authorities;
 - 13 *Keeping records e.g. records of accidents incurred by staff in the workplace;*
 - 14 *Carrying documentation e.g. cattle passports during transportation of herds;*
 - 15 *Agreeing contracts; and*
 - 16 *Requesting information.*
- grouping the DRs into logical groups suitable for interviews with businesses or charities (see 'Implementation issues arising during Phase 1' below) – this created merged descriptions of an IO with some or all of its constituent DRs (termed IO/DR);
 - categorising the IO/DR content, for example as accounting data or personnel data;
 - identifying the Standard Industry Classification 2003 (SIC) codes that describe the sector(s) affected by the IO/DR to assist in the identification of suitable businesses or charities to interview in Phase 2; and
 - defining the type of person likely to be responsible for complying with the IO/DR (e.g. Managing Director, Head teacher, Farmer): this information was used by the fieldwork team when contacting interviewees in Phase 2.

Departments initially provided information about the origin of each of the regulations on their lists (i.e. EU, international or domestic). It was subsequently determined, in discussion with the BRE, that it would be more appropriate to specify origin at IO/DR level. This analysis was carried out by a team at BRE and later validated with Departments during the process of agreeing datasets with PwC at the end of Phase 2.

Once the legal mapping was complete, the Departments reviewed the regulations to validate that relevant IO/DRs had been properly identified.

Preparation for fieldwork

During Phase 1, the telephone and face-to-face questionnaires to be used in Phase 2 were constructed, programming was undertaken for the call centre systems and other data collection materials (e.g. Expert Panel facilitation procedures) were prepared. The interview guides, which were designed to ensure uniform and consistent data collection, were tested during pilot interviews to ensure suitable results and structured to allow interviewees to answer the questions as fully as possible. A specific briefing note about charities was prepared for those performing the interviews.

As part of the survey preparation, PwC's International Survey Unit (ISU) built a sample database with the functionality to allow storage of contact details, unique allocation of sample to interview bundles and tracking of contact details through the system. The database was populated with information (name, address, telephone number) drawn from the Inter Departmental Business Register (IDBR), oneSource, Dunn and Bradstreet and Sample Answers. All data were cleaned to ensure that all records were unique.

Departments submitted requests, clearly articulating the rationale, for 'non-standard' segmentation where alternatives to the standard segments were required (for example, small/ micro/medium/large business size⁶). Appropriate non-standard segmentation was agreed where there was a prior reason for expecting significant differences in unit costs between different types of organisation. Only a small number of cases for specific segmentation were put forward by departments by the end of Phase 1.

In addition, departments were asked to provide details of the extent to which the use of forms underpinned each IO/DR and whether e-government solutions were available and how extensively they were used with the intention of being able to understand how the estimated administrative costs varied. The Charity Commission, unlike many other departments, require charities to use only a relatively small number of forms in compliance with regulations. The Charity Commission provided us with a listing of all forms used by charities, which we analysed as part of the project.

Allocation of data collection method

An algorithm was developed which provided the initial basis for determining the data collection method to be used to collect cost data for each IO/DR in Phase 2. The approach involved three stages:

- identification of priority items to be measured through the use of Expert Panels (particularly complex or unusual IO/DRs (i.e. infrequent) and/or where the population of organisations is small);
- identification of items to be measured by telephone or face-to-face interviews; and
- re-assignment of IO/DRs to different methods to bring the proportions measured through each method in line with BRE requirements.

Implementation issues arising during Phase 1

Three key issues arose during Phase 1 that impacted on the planned approach:

- queries regarding the interpretation of IO/DRs arose during the legal mapping: these were largely resolved through the cleansing of the list of regulations and the validation process:
- the piloting of the draft telephone questionnaire clearly indicated that respondents generally found it easier to understand and provide information about their administrative activities in relation to IOs rather than DRs: this highlighted the importance of adopting a business centric approach to data collection during Phase 2 (i.e. one which reflected the business processes involved) and this reinforced the need to define IO/DRs which reflected the organisation of business processes⁷; and
- the piloting of the draft telephone questionnaire also identified that the number of questions needed to be restricted in order to retain the engagement and willingness to participate of interviewees: as a result, the 16 administrative activities identified within the SCM were grouped into seven sets of activities which enabled the interviews to be undertaken within the required timescale.

2.3.2 Phase 2 – Time and cost data capture and standardisation

Phase 2 of the project was concerned with collecting the data needed to calculate the total administrative costs which result from the regulations within the scope of the current exercise. There were three streams of activities during Phase 2:

⁶ The size bands used are those defined by the Small Business Service

⁷ This is also consistent with the experience of applying the SCM in the Netherlands

- collection of unit cost data;
- completion of the identification, or estimation, of 'quantity'; and
- validation of the standard cost and quantity data.

The collection of unit cost data

Application of the SCM involves applying activity based costing to determine the internal and external costs incurred by a 'normally efficient business' within the private sector as they fulfil each IO/DR⁸. This requires a series of calculations to be performed to establish the overall administrative costs for each IO/DR:

Administrative costs (£)	= Internal costs (£) + External costs (£)
Internal costs	= Price (£) x Quantity
	= (Wage rate (£) x Time (hours)) x (Population x Frequency)
External costs	= External services (£) + External goods (£)
External services	= Wage rate (£) x Time (hours)

Data on the time and external costs involved in meeting IO/DRs were collected as the basis for estimating unit costs using three different methods the first two of which seek the views of business stakeholders:

- Business interviews by telephone and face-to-face;
- Expert Panels; and
- Assessment.

1. Business interviews

These were telephone and face-to-face interviews with individuals from organisations in the private, voluntary or charity sectors with direct experience of fulfilling each IO/DR. Interview guides were followed to ensure uniform data collection.

Telephone interview content passed through two phases of review:

- a preparation phase where content unsuitable for telephone interviewing was weeded out and consequently passed to another measurement route. In addition, checks were made on population size and sample availability. Again, where these were inadequate, IO/DRs were passed to another measurement route; and
- an in-field review phase during which areas not achieving interviews were reviewed and corrected as appropriate or were re-routed to other measurement routes.

Both review phases had the effect of reducing the number of IO/DRs which passed through telephone interviewing although further allocation of IO/DRs and recycling through the telephone interview process boosted the total number of interviews actually achieved.

A number of initial challenges with face-to-face interviewing required practical solutions to allow the methodology to progress:

⁸ See paragraph on the validation of standard cost and quantity data for an explanation of how this principle has been applied.

- the inclusion of highly conditional IO/DRs meant that potential interviewees were often unable to cover all the IO/DRs scheduled to be covered by the interview. Consequently conditional content was removed from the face-to-face interviewing route; and
- the time required to complete face-to-face interviews covering 6 IO/DRs often proved too great with the result that content was reduced to 4 IO/DRs per interview.

Despite these adjustments, the number of face-to-face interviews completed fell far short of initial projections.

In the final weeks of the project, PwC conducted additional fieldwork to gain greater business input for certain IO/DRs. The results of this work were captured as face-to-face activity as the interviews were conducted following the face-to-face process rather than the scripted telephone survey although the interview itself was often carried out over the telephone (as distinct from the 'main' telephone interview process conducted by the International Survey Unit).

2. Expert Panels

Expert Panels were focus group sessions which brought together experts from both the private and public sector, generally with experience of providing and/or receiving the information associated with fulfilling different IO/DRs. Each Expert Panel typically involved an average of more than two private-sector experts and at least one public servant. In some cases, however, panels proceeded with fewer than two private sector experts and, occasionally, with no public servant present.

Virtual Expert Panels were conducted later in the project by telephone or by e-mail and differed from Expert Panels in that only private sector experts were consulted.

3. Assessment

Assessment was originally envisaged as a means of estimating costs in a limited number of cases where cost data proved difficult to obtain from business. In the circumstances, and as noted above, the business interviews highlighted a significant proportion of cases where there were obstacles to implementing the original approach successfully and efficiently. These arose at two stages: preparing for and undertaking the business interviews. As a result, the use of Assessment was extended in agreement with the BRE and the Project Board as a pragmatic adaptation of the original implementation plan in order to ensure that all IO/DRs were covered earlier in the process of fieldwork. Consequently this meant that more IO/DRs were measured by Assessment than originally envisaged.

Assessment involved the estimation of the time and external costs involved in meeting IO/DRs by PwC staff familiar with the SCM methodology. The estimates were based on an analysis of the IO/DRs, the forms required to fulfil the IO/DRs (where available and appropriate) and the identification of administrative activities. Each Assessment was subject to review where the amount of time required exceeded 3 hours (equivalent to about £50), external goods and services were required and/or the population affected by the IO/DR was expected to be significant (over 50,000). In these instances, the Assessments were reviewed wherever possible by external business experts, PwC industry experts and/or departmental policy officials.

It is important to note, however, that Assessment has been used for those IO/DRs where:

- Difficulties were encountered with IO/DRs in the preparatory stage of business interviews, for example because of difficulties defining/identifying the affected organisations and limited numbers of potential interviewees;
- There were ongoing difficulties in achieving interviews for IO/DRs despite making numerous calls to potential interviewees; and
- IO/DRs have been on the agenda for an Expert Panel but have not been covered, for example because none of the experts was comfortable providing the required data.

In practice, Assessment has largely been used for IO/DRs that are low cost and/or affect a small population. The proportion of the administrative cost accounted for by measurements done by Assessment for the Charity Commission was around 13%.

Approach to estimating quantity (population)

The second element in the estimation of total administrative costs was the identification of quantity. Quantity is defined as either the number of businesses impacted by the regulation multiplied by the annual frequency of the activity undertaken to comply with the IO/DR or the annual number of transactions. During the ABME, PwC has worked with departments to identify the quantity per IO/DR. In many cases, it has been necessary to make estimates.

The process used to collect and/or estimate quantity involved:

- Definition of an appropriate information metric for each IO/DR which described the quantity to be identified (i.e. the 'number of...'). These fell into three categories:
 - sector-based e.g. number of companies of a certain type, number of people of a specified profession, number of entities;
 - third parties e.g. number of customers, number of pupils, number of employees; and
 - number of transactions e.g. number of licences, number of applications, number of products sold, number of requests for information, number of inspections.
- Existing quantity/population information provided by departments, statistical information sources from departmental/enforcement agency websites, ONS or other publicly available information were reviewed by PwC to identify available population/quantity data: the collection of readily available information sources with the required information from departments, such as annual reports or internal data sets
- Relevant SIC (Standard Industry Classification) code data was used for sector based quantities where possible, although in practice, a large proportion of the IO/DRs were found to apply across sectors, or to groups of organisations that do not correspond to SIC codes, or have qualifying criteria attached to them which meant that SIC codes were insufficient (alone) to define population
- The remaining information metrics were then provided to departments for the data to be identified; where necessary, an estimate of quantity based on banding was used
- Departments checked and completed the quantity data in order to ensure that all IO/DRs contained either actual quantity data or an informed estimate.

The work to gather quantity data highlighted extensive gaps in knowledge about the number of organisations that are affected by an IO/DR, the frequency with which they are affected, the extent of non-compliance and the use of e-government solutions. As a result, many of the numbers used in the ABME are based on departmental estimates. The process involved a huge effort on the part of the departments with input from many policy officials and personnel in related agencies.

The validation of standard cost and quantity data

The consistency of the standard cost and quantity data generated was examined and assessed on a continuing basis in agreement with departments.

In order to ensure the credibility of the cost measures overall and, specifically, to maximise the likelihood that the standard costs would generally reflect those of a 'normally efficient business', there was a presumption that:

- the cost estimates would be derived through direct engagement with business, charities and the voluntary sector;

- efforts to achieve the appropriate cost measurements would be focused on those IO/DRs which were expected to be the most costly; and
- any outlying cost measurements would be removed from the estimation process.

Subsequently, three complementary methods were used to validate the estimated standard costs:

- The data underwent a continuous quality assurance process: since the bulk of the administrative costs were found to be concentrated in relatively few IO/DRs, this process focused on those measurements which affect the IO/DRs with the largest total costs, unit costs or quantities. The aim of the process was to identify and address those quantities or costs that appear potentially anomalous.
- The unit cost estimates were subject to an agreed set of standardisation tests intended to identify any measures that should be excluded because they do not reflect the normally efficient business. This process involved analysing the evidence collected during fieldwork iteratively at two levels:
 - comparison between at least two (and possibly three) business measures gathered for any individual IO/DR; and
 - comparison between IO/DRs with similar characteristics (e.g. the same IO type, linked to the same regulations, or involving provision of similar data).
- Departments were provided with sets of draft results and given the opportunity to raise challenges against them on various grounds, such as the use of Assessment, the appropriateness of the quantity used and the consistency of the fieldwork based measures.

Together, the three validation processes highlighted a number of issues:

- The need for non-standard segmentation: in some cases, the initial calculations highlighted the importance of ensuring that the measurements used reflect differences in unit costs between different segments of the affected population.
- The treatment of external costs: many of the highest costs were found to be driven by large external costs. As a result, the most important external costs were reviewed to ensure that they were both in scope and included in the calculation on an appropriate basis. In some cases, this required software and capital costs to be amortised. In other cases, it required costs to be excluded from the calculation altogether because they were out of scope.
- Inconsistencies between the measurement of quantity and the basis of the cost estimate: in some cases, the quantity and cost estimates were not consistent with one another (e.g. per transaction vs. per year) in which case either the quantities were adjusted or new measurements obtained.
- Allocation of costs to IO/DRs: in a number of cases the costs of meeting different but closely related IO/DRs were double-counted (this was sometimes due to the structure of the regulations and their consequent mapping into IO/DRs). In many of these cases new measurements were obtained or the mapping of the IO/DRs refined.
- Duplication of the IO/DRs: whilst reviewing the draft results, departments identified instances where IO/DRs were covered more than once in the calculations. In these instances, the mapping of the IO/DRs was amended.

Implementation issues arising during Phase 2

Three key issues arose during Phase 2 that impacted on the planned approach:

- It proved difficult to achieve measurement data through business interviews and Expert Panels across all the IO/DRs identified during the mapping: this was largely resolved by extending the use of Assessment, especially as it related to those IO/DRs which were expected to give rise to relatively small costs, to ensure that all IO/DRs were effectively covered.

- Fewer population and frequency data were readily available from departments than had been anticipated: as a result, an agreed approach to estimating the missing data was developed and implemented in conjunction with departments.
- Fewer measurements of the administrative cost of particular IO/DRs were collected than envisaged within the SCM: as a consequence, the methods used to establish whether or not the standard cost estimates were those of a 'normally efficient business' were extended to include manual review as well as statistically based analysis.

2.3.3 Phase 3 – Calculation, data submission and reporting

Phase 3 of the project focused on processing the data collected in Phases 1 and 2 and the production of reports on the administrative costs imposed by the department's regulations on business.

Computation

In order to calculate the internal costs associated with meeting particular IO/DRs, a value was assigned to the time spent by different types of staff (including volunteers) working within the private sector based on data from the Annual Survey of Hours and Earnings (ASHE) collected by the Office for National Statistics. A common framework was used to categorise the different occupational types (identified in Phase 2 through data collection) involved in performing the activities, and a standard value of time was derived for each of the categories based on the median hourly wage rate (excluding overtime) across the United Kingdom in 2005. Further details of this process are provided in the Technical Summary document provided as an annex to this report.

The estimates of administrative costs were then generated using the validated data held on ABR.net to identify unit and total costs per regulation and IO/DRs.

Several iterations of the data set were produced during Phase 2 and provided to departments.

Interpretation of cost data

The estimates of administrative costs included in this report are based on the application of the SCM which is designed to produce consistent estimates and so enable measurements to be compared and targets for reductions to be set across government. The SCM relies on deriving estimates of the standard cost of meeting each IO/DR within a regulation for a 'normally efficient business'. Given the need to manage the overall costs of data collection while providing information about a very large number of IO/DRs, the SCM relies on the input of a limited number of experts and/or businesses. As such, it does not produce a statistically representative measurement of costs: instead, it is a pragmatic approach to measurement that gives an indicative estimate of the magnitude of costs which provide a starting point for setting reduction targets and highlighting the areas to focus upon.

In interpreting the cost estimates, it is important to recognise the implications of the three processes which have been applied to ensure that the cost estimates reflect those which are expected to be incurred by a 'normally efficient business'. Nevertheless, despite these processes, the nature of the SCM means that the cost estimates will inevitably be subject to significant margins of error, especially where they are based on small numbers of individual measurements. These concerns are likely to be most significant where:

- the number of external measurements which underpin the cost estimates is small;
- Assessment has been used without any external review, rather than stakeholder driven estimates, to determine the standard cost;
- unit costs vary significantly in practice between different segments, but the need for segmentation has not been identified by the department; and
- the activities which drive the costs are closely linked to those required to meet other, related or similar IO/DRs in which case there is the potential for double counting of costs.

Finally, in interpreting the results of the application of the SCM, it is important to recognise that the SCM provides an estimate of administrative costs, of which administrative burdens are a part. The costs of some activities that business, charities and the voluntary sector would carry out regardless of regulatory requirements (business as usual costs) may be included. Equally some costs that may be regarded as associated with the underlying policy aim rather than being purely administrative may be included. Conversely, the costs of other administrative tasks, for example requirements that come from case law, are not included as they do not fit the SCM framework which is based on information obligations arising out of regulations. Looking forward, if the Government is to ensure that effort is focused on areas that business will feel the most benefit from, it will need to consider how to take into account business as usual costs in setting targets based on the estimates generated using the SCM.

Preparation of final reports

Following sign-off of the data by departments, PwC prepared departmental reports for approval by the departments and BRE.

The Phase 3 reports present the results of the ABME and give a detailed account of the method used and primary analysis of the data for each department.

Implementation issues arising during Phase 3

One key issue arose during Phase 3 that impacted on the planned approach. This related to the availability of robust and reliable data upon which to base an analysis of the estimated administrative costs by organisation size over and above that implied by the specific segmentation defined with departments. Such an analysis depended on being able to determine:

- how the unit cost of meeting each IO/DR varies by organisation size; and
- the number of times organisations of different size are required to fulfil an IO/DR each year.

The available evidence is, however, limited for two reasons:

- the nature of the SCM means that only a very limited number of measurements of unit costs have been collected for each IO/DR with the result that, except in the very few instances where segmentation was applied on the basis of organisation size and additional measures collected, there is no reliable empirical basis for determining any variations in unit costs by organisation size: the SCM effectively deals with this issue by determining a single average unit cost across all organisations; and
- departments' knowledge of the number of organisations impacted by an IO/DR is limited and their knowledge of the size distribution of organisations is even more limited, especially where there is an element of contingency involved in the IO/DR and/or the affected sectors are difficult to define: this means that critical assumptions would need to be made to bridge the gap in order to derive even indicative estimates of the administrative cost breakdown by organisation size.

In conclusion, therefore, the limitations of the available data mean that the results of any attempt to allocate costs by organisation size across all of the IO/DRs, not just those where segmentation has been implemented would need to be interpreted with very great caution since it is evident that they are critically dependent on the assumptions that are made. For this reason, no such analysis is presented in the report although, for those departments where segmentation has been applied, these results are discussed separately.

2.3.4 The data repository

A bespoke project management information system, ABR.net, was used as the repository of all the data used in this project. Areas of functionality of the system were developed as the project progressed and included:

- input interface/tool for mapping of regulations into IOs and DRs, for categorisation of IOs and DRs;
- input of quantity and cost data;
- processing of IO/DRs through an algorithm for allocation to the most appropriate fieldwork methodology;
- administration of face-to-face interview and expert panels – allowing dates, locations and responsibility to be assigned to specific fieldworkers;
- capture and management of cost and quantity data;
- reporting of progress with mapping, validation and input of results;
- interface with the International Survey Unit for transmission of IO/DRs data allocated to telephone and face-to-face interviews and receipt of telephone interview results and business interview recruitment results (for face-to-face interviews).

2.3.5 Implementation variations by department

In a number of places it was agreed that the standard methodology would be varied for the Charity Commission. This means that the above standard methodology paragraphs should be read in conjunction with the following variations in the planned approach:

Exclusions of IO/DRs

As part of the process to finalise the costs associated with each of the departments included within the project, a query was raised by the DTI concerning the inclusion of “costs associated with keeping financial books and records”. The Charity Commission raised a similar point on the regulation area outlined below:

- Regulation: Charities Act 1993
- IO/DR: 17548
- Description: “keeping accounting records for 6 years showing and explaining all transactions – including day-to-day income and expenditure, and a record of the charity’s assets and liabilities”.

In the measurement of administrative costs in the Netherlands, costs associated with keeping financial records were excluded from the exercise. Following discussion with BRE, it was concluded that the IO/DR for the DTI should be excluded from the ABME to ensure consistency with the Dutch model. To ensure overall consistency for the UK project the equivalent IO/DR for the Charity Commission was also excluded. As this IO/DR was initially measured it has been archived on the ABR.net system and does not appear in the results section. The costs, however, have been reported separately to the Charity Commission.

Identifying and ensuring the integrity of quantity data

A key element of the project has been to identify suitable quantity (population and frequency) data, for example the number of charities having to comply with a relevant regulation. The Charity Commission collected population and frequency data from all of their regional offices and for all groups of charities outlined in section 2.2.7. This provided a good basis for arriving at the total population for the various types of charities that are required to comply with the regulations.

As part of this process the team also considered duplications with other legal / regulatory requirements or similar charity regulations. The following process was followed:

- Population data was obtained for all charities – registered, excepted and exempt.

- During the measurement phase an extensive review was conducted to identify any duplication in IO/DRs between the various charity regulations. Duplications occur mainly as a result of IO/DRs in separate regulations covering in further detail the intentions of the overall Charities Act. For example, the duplication of the requirement to “produce annual accounts” and have “an audit or independent examination” between the Charities (Accounts and Reports) Regulations and the Charities Act 1993.
- The links between the Charity Commission and other departments such as the DTI, ODPM and Home Office were reviewed to ensure that all regulations were covered by the most appropriate department.

Process to ensure no duplications

A number of duplications were highlighted between the Charities (Accounts and Reports) Regulations and the Charities Act 1993, in relation to the “requirement for an independent audit / examination” and “preparing annual accounts”. Appropriate solutions were agreed with the Charity Commission to eliminate double-counting, for example:

- The preparation of accounts for charities with incoming resources over £100,000 was measured under the Charities (Accounts Reports) Regulations. For charities with incoming resources of £100,000 or less this was measured under the Charities Act 1993.

Charities (Accounts and Reports) Regulations

The Charity Commission had a number of the same regulations with different dates of implementation (e.g. Charities (Annual Return) Regulations 2003 and 2005) that would be applicable to different charities dependent upon their individual circumstances and financial reporting year-end.

As this project was being carried out based on regulations in force as at May 2005, it was decided to attribute regulations to charities based on their financial reporting year-end. This meant that some charities followed the Charities (Annual Return) Regulations 2003 and others followed the equivalent 2005 regulations.

This methodology was agreed with the Charity Commission.

Non standard segmentation

The Charity Commission requested that non standard segmentation should be applied to a number of the IO/DRs relating to the preparation of the annual report and accounts and the annual audit of accounts.

The IO/DRs to be segmented were selected where the population was large and it was considered that the time taken would vary significantly based on the size of the charity. 12 IO/DRs were identified through this process within three different regulations: the Charities (Accounts and Reports) Regulations 1995, 2000 and 2005.

Standard segmentation is based on the number of employees; however, due to the significant use of volunteers within charities, it was proposed by the Charity Commission that the most effective way to segment the charities was according to the annual level of incoming resources rather than the number of employees per organisation. The Charity Commission suggested four bandings:

- £250k - £1m;
- £1m - £5m;
- £5m - £20m; and
- over £20m.

Effectively this meant that five segments were used to gather the information, as charities with incoming resources less than £250k also needed to be included.

3 Administrative costs on charities

3.1 Introduction

This part of the report contains the main results from the ABME for the Charity Commission and consists of:

- an overview of the total administrative costs on charities;
- an analysis of the most costly regulations;
- a breakdown of administrative costs by IO/DR type and by administrative activity;
- an analysis of the administrative costs broken down between obligations to third parties and non-third parties and between internal time costs (including overheads) and external purchases of goods and services;
- administrative costs by origin of regulation;
- a discussion of the significance of the distinction between administrative cost and administrative burden; and
- a discussion of the other, qualitative findings to emerge from the fieldwork.

3.2 Overview

The total administrative cost for the Charity Commission has been estimated as £277.5m.

Table 4: Administrative costs – overview

	Total administrative costs	
	£ (million)	% of department total
Charity Commission total	£277.5	100%

Footnote: The costs shown in this table are indicative estimates. They have been prepared on a consistent basis in accordance with the SCM but still need to be interpreted with caution given the nature of the SCM (see Section 2.3 for further details).

3.3 Most costly regulations

As the Charity Commission has only nine regulations being reviewed, all of these have been included in the following tables.

Table 5 shows the total administrative cost of each regulation.

Table 5: Regulations by total administrative costs

Regulation	Total administrative cost	
	£ (million)	% of department total
Charities (Accounts and Reports) Regulations 2005	£75.7	27%
Charities (Accounts and Reports) Regulations 1995	£67.2	24%
Charities Act 1993	£58.6	21%
Charities (Accounts and Reports) Regulations 2000	£56.2	20%
Charities (Annual Return) Regulations 2005	£12.2	4%
Charities (Annual Return) Regulations 2003	£7.7	3%
Charities (Receiver and Manager) Regulations 1992	£0.0	0%
Reverter of Sites Act 1987	£0.0	0%
Charities (Misleading Names) Regulations 1992	£0.0	0%
Top 9 total	£277.5	100%
Charity Commission total	£277.5	100%

Footnote: The costs shown in this table are indicative estimates. They have been prepared on a consistent basis in accordance with the SCM but still need to be interpreted with caution given the nature of the SCM (see Section 2.3 for further details).

The top four regulations, Charities (Accounts and Reports) Regulations 1995, 2000 and 2005, and the Charities Act 1993 account for £258m of the total administrative costs for the Charity Commission, or 93%.

We have considered each of the main (high cost) regulations below.

Charities (Accounts and Reports) Regulations (1995, 2000 and 2005)

The total of these regulations accounts for just under £200m, or 72%, of the total administrative costs. The main costs are in relation to the following activities:

- *Audit / independent examination* - "Making a range of documents available to an auditor or independent examiner for the purposes of inspection by them";
- *Audit / independent examination* - "Obtaining an auditor's report where statement of accounts has been prepared under the Charities Act 1993";
- *Audit / independent examination* - "Providing an auditors report on the statement of accounts by the trustees";
- *Annual report* - "Preparing an annual report";
- *Accounts related* - "Providing notes to the accounts and information not given in the statement of financial activities or in the balance sheet"; and
- *Accounts related* - "Providing a statement of accounts including providing a statement of financial

activities, a balance sheet and additional information as required”.

The top six IO/DRs included in these regulations account for around £132m, or 66%, of the total costs for the Charities (Accounts and Reports) Regulations.

Charities Act 1993

This regulation’s costs have been significantly reduced as a result of the decision to remove administrative costs associated with ‘keeping books and financial records’ from the project, as discussed in Section 2.

The activities included within this regulation that are of high cost relate to the following:

- *Accounts related* - “Preparing statements of accounts each financial year that comply with standards prescribed by the Secretary of state, and retaining these for 6 years” (incoming resources of £100,000 or less);
- *Annual Report* - “Preparing an annual report (including detail of activities and any other information required) for each financial year” (incoming resources of £100,000 or less); and
- *Accounts related* - “Electing to prepare a receipts and payments account, and a statement of assets and liabilities instead of a statement of accounts”.

The top three IO/DRs included in this regulation account for around £51m (or 87%) of the total costs for the Charities Act 1993.

Other regulations

Out of the remaining regulations, the highest cost relates to the Charities (Annual Return) Regulations 2005 at £12m. This cost is higher than the other similar regulation (Charities (Annual Return) Regulations 2003) as it includes IO/DRs relating to the filing of the new SIR (annual return), which accounts for around £4.2m, or 35%, of the total costs for this regulation.

Table 6 provides an indication of the range of costs of IO/DRs in each of the nine regulations. It is clear from the table that all of these regulations have a wide range of costs – but for most of them the majority of the total costs are accounted for by a small number of high cost IO/DRs as indicated in the above paragraphs.

There are a large number of IO/DRs that have a nil cost associated with them (14 IO/DRs). These relate to activities where the actual process is duplicated by other IO/DR, for example the requirement to submit an annual return, within the Charities (Annual Return) Regulations 2003, is a duplicate of a similar IO/DR within the Charities Act 1993.

Table 6: The distribution of administrative cost by IO/DRs

Regulation	Total administrative cost by regulation £ (million)	Distribution of administrative cost £'000			Number of IO/DRs
		Minimum cost IO/DR	Median cost IO/DR	Maximum cost IO/DR	
Charities (Accounts and Reports) Regulations 2005	£75.7	£0	£158	£26,202	17
Charities (Accounts and Reports) Regulations 1995	£67.2	£0	£14	£31,466	16
Charities Act 1993	£58.6	£0	£1	£42,616	73
Charities (Accounts and Reports) Regulations 2000	£56.2	£0	£8,899	£18,431	6

Regulation	Total administrative cost by regulation	Distribution of administrative cost £'000			Number of IO/DRs
	£ (million)	Minimum cost IO/DR	Median cost IO/DR	Maximum cost IO/DR	
Charities (Annual Return) Regulations 2005	£12.2	£80	£234	£7,100	10
Charities (Annual Return) Regulations 2003	£7.7	£0	£1,613	£4,450	4
Charities (Receiver and Manager) Regulations 1992	£0.0	£0	£0	£0	3
Reverter of Sites Act 1987	£0.0	£0	£0	£0	2
Charities (Misleading Names) Regulations 1992	£0.0	£0	£0	£0	1
Top 9 regulations	£277.5	£0	£6	£42,616	132
Charity Commission total	£277.5	£0	£6	£42,616	132

Footnote: The minimum cost IO/DR is derived after excluding all those IO/DRs defined within Phase 1 where the administrative costs have been measured as part of a group of related IO/DRs.

Footnote: The median is the 'middle value' in a list or series of numbers. When the totals of the list are odd, the median is the middle entry in the list after sorting the list into increasing order. When the totals of the list are even, the median is equal to the sum of the two middle (after sorting the list into increasing order) numbers divided by two.

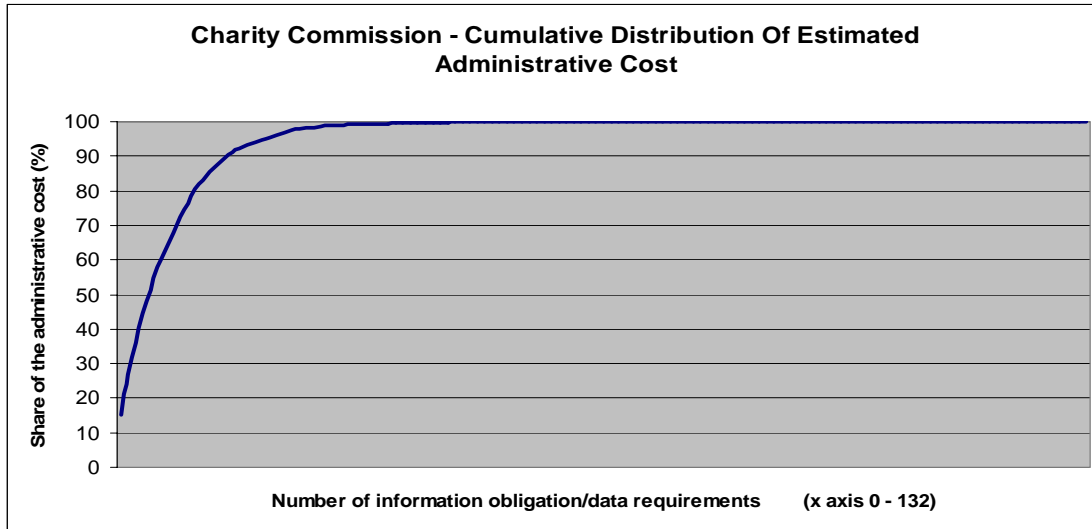
Footnote: The costs shown in this table are indicative estimates. They have been prepared on a consistent basis in accordance with the SCM but still need to be interpreted with caution given the nature of the SCM (see Section 2.3 for further details).

Of the 132 IO/DRs for the Charity Commission the top ten IO/DRs (8%) have indicative costs of £212m and together account for almost 77% of the total administrative costs. These top ten IO/DRs cover four of the nine regulations, specifically the Charities Act 1993 and the Charities (Accounts and Reports) Regulations 1995, 2000 and 2005. Only 25 IO/DRs were costed individually at over £1m. These account for £272m of the total costs for the Charity Commission or 98%.

At the other end of scale 98 IO/DRs had a cost of under £100,000 each, and in total accounted for less than £1m of the total costs or 0.36%. This pattern of having a large number of IO/DRs with relatively small administrative costs appears to be consistent, in terms of nature rather than scale, with other departments.

For the department as a whole, Figure 2 shows the cumulative distribution of the estimated administrative cost by IO/DR. It demonstrates in graphical representation that a small number of IO/DR accounts for a large proportion of the administrative cost.

Figure 2: Cumulative distribution of estimated administrative cost



Drivers of cost

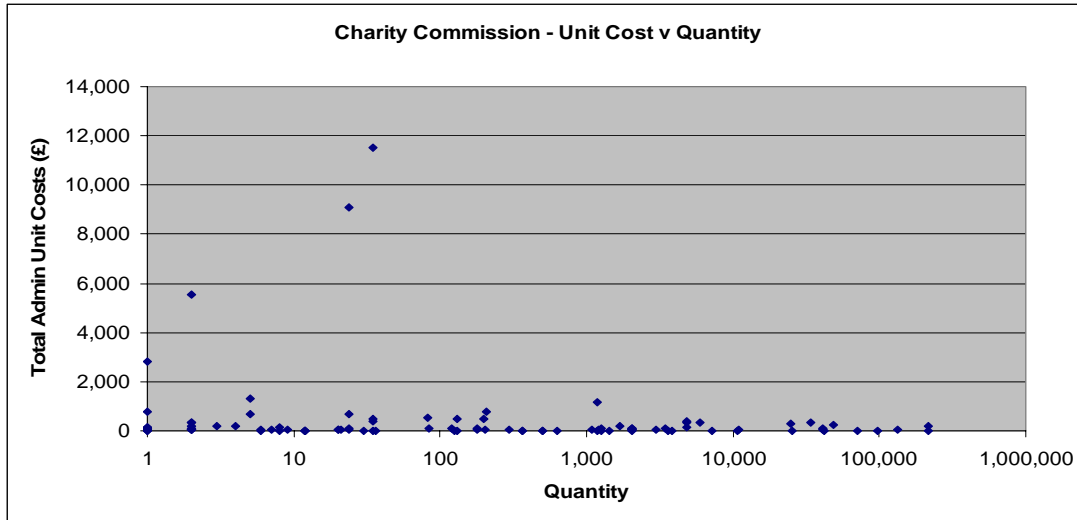
As discussed in the methodology (Section 2), the administrative costs have been arrived at following a specific formula (i.e. unit cost x quantity (population x frequency)). For the Charity Commission, for most IO/DRs the frequency has been relatively low, as IO/DRs such as the requirements for 'independent examination / audit'; 'preparing accounts'; 'producing the annual report' only need to be produced annually and therefore have a frequency of 'one'.

However, populations are generally high for the Charity Commission's IO/DRs as in England and Wales there are approximately 167,000 registered charities, 100,000 excepted charities and 10,000 exempt charities. The consequence of this is that in most cases, although the unit cost of an IO/DR may be low, the large numbers of charities results in the total administrative cost being high.

Figure 3 below, also for the Charity Commission, shows the distribution of the unit cost and quantity associated with each IO/DR. It shows that:

- a significant proportion of the IO/DRs have low estimated unit costs but a range of quantities; and
- only four IO/DRs have a significant administrative unit cost in relation to quantity and these relate to the requirement to produce accounts and an annual report for Common Investment Funds and the requirement to prepare accounts and be subject to audit when ordered to do so by the Charity Commission.

Figure 3: Unit cost v quantity



3.4 Administrative costs by IO type and by administrative activity

During Phase 1, each IO/DR was classified using a standard list of 16 IO types, for example applications for authorisation or complying with inspections. A full list of IO types and their definitions can be found in Section 2.3.1.

Table 7 provides a breakdown of the total number of IO/DRs in each of the 16 categories and the total administrative cost associated with each IO type.

The IO types in Table 7 have been listed in order of the total cost by IO type, with the highest % shown first.

Table 7: Total administrative costs by IO type

IO type	Number of IO/DRs		Total cost	
	Number of IO/DRs	% of total number of IO/DRs	Total cost by IO type £ (million)	% of total department cost
Returns and reports	58	44%	£188.6	68%
Carrying out inspections of... <i>(essentially the work completed by auditors/independent examiners)</i>	4	3%	£38.6	14%
Cooperating with audits/inspections of...	8	6%	£34.6	12%
Notification of activities	16	12%	£6.4	2%
Keeping records	3	2%	£4.1	1%
Entry in a register	5	4%	£2.0	1%
Providing statutory information for third parties	9	7%	£1.5	1%
Applications for permission for or exemption from...	18	14%	£1.4	0%
Applications for authorisation	10	8%	£0.2	0%
Statutory labelling for third parties	1	1%	£0.2	0%
Agreeing contracts	0	0%	£0.0	0%
Applications for subsidies or grants for...	0	0%	£0.0	0%

IO type	Number of IO/DRs		Total cost	
	Number of IO/DRs	% of total number of IO/DRs	Total cost by IO type £ (million)	% of total department cost
Carrying documentation	0	0%	£0.0	0%
Framing complaints and appeals	0	0%	£0.0	0%
Requesting information	0	0%	£0.0	0%
Updating commercial emergency plans & programmes	0	0%	£0.0	0%
Total	132	100%	£277.5	100%

Footnote: The costs shown in this table are indicative estimates. They have been prepared on a consistent basis in accordance with the SCM but still need to be interpreted with caution given the nature of the SCM (see Section 2.3 for further details).

This table highlights and reinforces some of our earlier comments regarding the highest administrative cost IO/DRs. Approximately 95% of the total costs, in relation to table 7, relate to 'returns and reports, carrying out inspections and cooperating with audits/inspections'. 44% of the number of IO/DRs within regulations relate to returns and reports.

The cost associated with the obligation type 'keeping records' is very low at 1%, as we would expect, as the main administrative cost in relation to 'maintaining records and financial books' has been removed from this project.

IO/DRs covering 'entries in a register', 'providing statutory information to third parties', and 'applications', make up only a small administrative cost of the total, 1% or £5.2m.

Table 8 below provides a summary of the administrative costs broken down between internal time costs and external costs of goods and services. The internal costs are the staff time taken to carry out each administrative activity (i.e. the number of hours / minutes spent on an administrative activity) multiplied by the hourly pay for the appropriate occupation group that performs the activity with overheads added. Overheads are those costs that relate to fixed administration costs, such as expenses for premises (rent or building depreciation), telephone, heating, electricity, IT equipment, etc. These are calculated by applying a standard percentage mark-up to (30% of the time based costs). External costs relate to the purchase of goods or services purchased specifically to fulfil the requirements of a regulation. These costs include costs attributed to volunteers.

Table 8: Summary administrative costs showing internal time, overheads and external costs

Activity	Total	
	£ (million)	% of total department cost
Internal time costs	£107.9	39%
Overheads	£32.4	12%
External Costs	£137.2	49%
Total administrative costs	£277.5	100%

Footnote: The costs shown in this table are indicative estimates. They have been prepared on a consistent basis in accordance with the SCM but still need to be interpreted with caution given the nature of the SCM (see Section 2.3 for further details).

For the Charity Commission overall, over 51% of the total costs relate to internal costs (including overheads) and 49% to external costs.

External costs largely relate to the costs associated with the IO/DRs within the Charities (Accounts and Reports) Regulations which specifically ask charities to 'obtain/provide an auditors report' or 'carry out an audit or independent examination'.

In collecting information about the time taken to complete obligations, the overall time taken was broken down between seven groups of administrative activities based on those identified within the SCM. These apply to each of the 16 IO types. They include, for example, familiarisation with the data requirements and holding meetings. Table 9 shows the total internal time costs for each activity type.

Table 9: Internal time costs by standard activity type

Activity	Total	
	£ (million)	% of total internal time cost
Reporting unit		
Preparing figures (including calculating, presenting, checking and correcting)	£30.9	29%
Reporting (including written descriptions, copying, filing, distributing or submitting info / reports)	£26.5	25%
Gathering and assessing relevant information / figures	£20.7	19%
Holding meetings	£8.9	8%
Making settlements or payments	£8.8	8%
Familiarisation with requirements	£7.1	7%
Inspections	£5.1	5%
Total internal time costs	£107.9	100%

Footnote: The costs shown in this table are indicative estimates. They have been prepared on a consistent basis in accordance with the SCM but still need to be interpreted with caution given the nature of the SCM (see Section 2.3 for further details).

Table 9 highlights that approximately 72% of internal time cost relates to activities such as the preparation of figures and reporting and gathering information, which are probably all completed by charities as part of their production of accounts, annual reports and the related audit/inspection.

A relatively small 5% relates to internal inspections, but it is worth noting that there are large external costs associated with audit/inspections, in essence, the costs of appointing an external accountant or auditor.

In addition, during Phase 1, each IO/DR was flagged according to whether or not it involved form-filling activities where it was possible to identify this. A variety of approaches were used to establish whether or not standard forms were used: where a regulation specifically identified that a standard form must be used, for example, in relation to the Charities (Annual Return) Regulations which require the completion of an SIR; forms sourced and supplied by the Department or its enforcement agencies; and where forms were identified through internet research by a dedicated PwC team. In relation to the Charity Commission, there were relatively few forms identified that charities are required to use to comply with regulations. Overall, the percentage of IO/DRs flagged as involving form-filling within the Charity Commission is 4%, primarily relating to the completion and submission of the new SIR or the old annual return.

3.5 Administrative costs by third party/ non-third party and internal/ external categories

This Section provides a breakdown of administrative costs between third party and non-third party obligations. Third party obligations are those that are owed exclusively to third parties (i.e. to individuals or organisations that are not public sector bodies, for example employees or customers). Non-third party obligations are those that are owed totally or partially to government departments or agencies (including law enforcement, local government, emergency services, courts etc).

Table 10 below shows how this cost breaks down between those IO/DRs which are considered to be third-party and those which are non-third party. The majority of the Charity Commission’s obligations (£276m or 99%) are non-third party.

None of the top ten IO/DRs, referred to in Section 3.3, are third party. The two highest value IO/DRs which require information to be provided to third parties (such as the public) were both costed between £0.5m and £1m and relate to:

- “Stating the fact that the charity is REGISTERED in legible character in all notices, advertisements and other documents issued by or on behalf of the charity; when soliciting money or other property for the benefit of the charity; in all bills rendered by it; and in all its invoices, receipts and letters of credit” (Charities Act 1993); and
- “Certifying, in an instrument of disposition, that the disposition has been sanctioned or that you have the power to effect the disposition and have complied with requirements” (Charities Act 1993).

Table 10: Administrative costs – breakdown by third party/non-third party and internal/ external categories⁹

	Third party			Non-third Party			Total administrative costs		
	Internal cost %	External cost %	Total £ (million)	Internal cost %	External cost %	Total £ (million)	Internal cost %	External cost %	Total £ (million)
Charity Commission	100%	0%	£1.8	50%	50%	£275.7	51%	49%	£277.5

Footnote: The costs shown in this table are indicative estimates. They have been prepared on a consistent basis in accordance with the SCM but still need to be interpreted with caution given the nature of the SCM (see Section 2.3 for further details).

3.6 Administrative costs by origin

Table 11 provides an analysis of the estimated administrative costs of the department’s regulations broken down by the origin of the regulation. In particular, the table distinguishes three broad categories of obligation:

- Category A – obligations that are exclusively and completely a consequence of EU rules or other international obligations (i.e. the international rules describe which information businesses have to produce);

⁹ A third party is any other person or organisation that is not a public sector body, for example employees, consumers, parents and other stakeholders. For the purposes of the definition, a public sector body is a government department or agency (including law enforcement, local government, emergency services etc), a court, a government funded school or other educational institution. Where an IO/DR refers specifically to an inspector but does not clarify who the inspector might be, it is deemed to refer to a public sector body. For the purpose of distinguishing third party and non-third party administrative costs, an obligation to a third party arises only if it is exclusively owed to third parties (e.g. parents). Therefore, there are some obligations that apply to third parties that are not flagged as such because they also apply to public sector bodies.

- Category B – obligations that are a consequence of EU rules and other international obligations where the purpose has been formulated in the international rules but where implementation has been left to individual Member States (i.e. the international rules do not describe which information businesses have to produce); and
- Category C – obligations that are exclusively a consequence of rules formulated at national level.

Furthermore, in Table 12, for Categories A and B, a distinction is made between regulations which derive from an EU-Directive, and EU-Regulation and other international rules. However, this is not relevant for the Charity Commission as all regulations are domestic in origin.

The significance of the classification by origin lies in its implications for how far the department can influence directly the administrative costs and burden, especially in the short term.

All of the Charity Commission's set of regulations are domestic in origin, as detailed in table 11, 12 and 13. The Charity Commission does not have any regulations that have been established by, or in conjunction with, EU/International directives.

Table 11: Administrative costs by origin

Reporting unit	International, no domestic discretion (A)		International, domestic discretion (B)		Domestic (C)		Total £ (million)
	£ (million)	% of Reporting unit total	£ (million)	% of Reporting unit total	£ (million)	% of Reporting unit total	
Charity Commission total	£0.0	0%	£0.0	0%	£277.5	100%	£277.5

Note: % shares sum to 100 for each row not column

Footnote: The costs shown in this table are indicative estimates. They have been prepared on a consistent basis in accordance with the SCM but still need to be interpreted with caution given the nature of the SCM (see Section 2.3 for further details).

Table 12: Administrative costs by sub category by origin

Reporting unit	International, no domestic discretion (A)				International, domestic discretion (B)				Domestic (C)
	1: EU Regulation £ (million)	2: EU Directive £(million)	3: Other international £ (million)	% for type A	1: EU Regulation £ (million)	2: EU Directive £(million)	3: Other international £ (million)	% for type B	% for type C
Charity Commission total	£0.0	£0.0	£0.0	0%	£0.0	£0.0	£0.0	0%	100%

Note: The percentage shown is the proportion of the admin cost for type A,B and C as a proportion of the admin cost for the reporting unit / department overall i.e. by row.

Footnote: The costs shown in this table are indicative estimates. They have been prepared on a consistent basis in accordance with the SCM but still need to be interpreted with caution given the nature of the SCM (see Section 2.3 for further details).

Table 13 shows the percentage origin for all of the regulations in the department.

Table 13: Percentage administrative cost by origin for the Charity Commission's regulations

Regulation	Total administrative cost		% Cost by origin		
	£ (million)	% of department total	A	B	C
Charities (Accounts and Reports) Regulations 2005	£75.7	27%	0%	0%	100%
Charities (Accounts and Reports) Regulations 1995	£67.2	24%	0%	0%	100%
Charities Act 1993	£58.6	21%	0%	0%	100%
Charities (Accounts and Reports) Regulations 2000	£56.2	20%	0%	0%	100%
Charities (Annual Return) Regulations 2005	£12.2	4%	0%	0%	100%
Charities (Annual Return) Regulations 2003	£7.7	3%	0%	0%	100%
Charities (Receiver and Manager) Regulations 1992	£0.0	0%	0%	0%	100%
Reverter of Sites Act 1987	£0.0	0%	0%	0%	100%
Charities (Misleading Names) Regulations 1992	£0.0	0%	0%	0%	100%
Top 9 total	£277.5	100%	0%	0%	100%
Charity Commission Total	£277.5	100%	0%	0%	100%

Footnote: The costs shown in this table are indicative estimates. They have been prepared on a consistent basis in accordance with the SCM but still need to be interpreted with caution given the nature of the SCM (see Section 2.3 for further details).

3.7 Administrative cost vs. administrative burden

This project has focused on deriving an estimate of the administrative costs incurred by businesses/charities as they comply with the IO/DRs within the department's regulations. As the SCM recognises, not all of these costs represent an administrative burden (that is they reflect the cost of those administrative activities that businesses/charities sustain simply because it is a requirement of regulation). Thus, the administrative costs will include some element of cost which a business/charity might expect to incur regardless of whether a regulation exists. This has important implications for the interpretation of the measurements resulting from the application of the SCM.

As part of the businesses interviews, respondents were asked about the processes they used to fulfil each IO/DR and for their views as to whether or not they would undertake the activities anyway for their own business/charity purposes or in order to meet other obligations arising from government regulation. Whilst these responses need to be treated with some caution, for example because the interviews covered only a proportion of the IO/DRs which are within scope of the exercise, they do provide an insight into the extent to which the costs which have been measured represent an administrative burden, rather than the 'business as usual' costs.

21% of charities commented that they would potentially still have to produce this information as part of 'normal' activities and 20% that they also provide the data in order to meet obligations arising for other government purposes. This was particularly felt in relation to the Charities (Annual Return) Regulations and Charities (Accounts and Reports) Regulations.

It is quite possible with these two regulations that obligations covering areas such as 'providing and filing accounts' and 'conducting an audit or independent examination' would still need to be completed by charities – as 'every day activities' – even if the regulations were removed.

3.8 Other findings

Besides the quantitative information used to underpin the estimates of administrative costs, the business interviews undertaken both over the telephone and face-to-face have been used to obtain insights into charities' understanding of the purpose of regulation and their views on how easy (or difficult) they find it to meet the administrative obligations which arise from the department's regulations and more generally on regulation. In interpreting these responses, it is important to recognise that the interviews do not cover all of the obligations which have been measured as part of the exercise since two other approaches to measurement have been used, Expert Panel and Assessment. As a consequence, the responses may be affected by unknown biases and may cover issues that the Charity Commission has no power to change.

As well as providing qualitative information in the form of the free text comments during the interview, the participants were asked to comment on whether they felt regulations were easy, very easy, difficult or very difficult to understand. 16% of charities interviewed commented that regulations were either difficult or very difficult to interpret / understand. This compares to 55% of interviewees who commented that regulations were either easy or very easy to interpret / understand.

In total 141 free text comments were recorded from these interviews conducted on the Charity Commission regulations. This section provides a brief summary of these comments.

The largest number of comments relate to the 'volume or complexity of regulations'. However, there were a large number of comments in relation to solutions for improvement, possibly demonstrating that some charities have a clear idea of the changes they would like to see in the sector with regard to regulations. There were a number of comments focused on the relevance of information.

Solutions for improvement

With regard to 'solutions for improvement' the following are a selection of the comments made by interviewees:

"I think that all the regulation should be commensurate with the size of the organisation". Note: there were lots of comments regarding smaller charities, for example: "Smaller charities are doing the same amount of paper work as the very big charities. Is this really necessary?"

"Combining of duty to provide information for Companies House and Charity Commission as this means we would only need to submit information once"

"It would be better if the process of returns were available online because a lot of information is repeated from year to year"

"It would be good if there were a simplified format of the annual report for small charities where much of the information which has to be included is not appropriate / applicable to small charities. Are we able to submit annual returns online?"

"The annual report is a good discipline for charities - but the information needed pertaining to the market value of investment is very difficult to accurately arrive at and it would be helpful if the requirement/question were altered / restructured"

Complexity of regulation

With regard to comments on the complexity of regulation the following were a selection of interviewee's responses:

"For a small organisation run by volunteers, it is a demand to keep track of regulations. In bigger organisations it is not that difficult. Sometimes it is down to you to determine very swiftly the information relevant to you as an organisation. When you look at the risk it is very daunting to understand the things that they want you to do and it's not relevant to a small organisation. The jargon in legislation can be a problem. In voluntary organisations it is not always understandable especially if you are not involved in

that field. Make it simple and understandable”

“Simplification of language used would be of significant benefit”

“SORP 2005 - is overcomplicated, have to apportion out times for different activities which has added to time taken for admin. Reduce levels of precision of allocation of time”

“What I would like to see is a focus on getting information that is absolutely necessary. I appreciate there is a need to be accountable however legislation has gone too far in requesting too much detail”

Volume of regulation

With regard to comments on the volume of regulation the following were a selection of interviewee’s responses:

“Benchmarking required is totally ridiculous where advisors practically have to record visits and telephone calls to meet required targets and show efficiency conducted”

“Constant change in regulations is extremely frustrating, time consuming and expensive”

“I believe the time complying with the regulation for the Charity Commission is very reasonable, but the time required to comply with the requirement for the Companies House is unreasonable - about twice as much time is required to comply with the Companies House as with the Charity Commission. I hope that charities in the future will be free from the need to be registered companies”

“There is certainly over regulation and serves no useful purpose. Standardisation is not the way forward due to diversification of charities”

“Too much paperwork for smaller local branches of national charities”

Relevance of information

With regard to comments on the relevance of information the following were a selection of interviewee’s responses:

“Charities Commission insist that potential trustees must supply their date of birth otherwise they cannot be considered. Some people consider this to be irrelevant and an invasion of privacy”

“Forms required to be submitted are too generic and don’t always reflect the activities of specific charities”

“It would be good if there were a simplified format of the annual report for small charities where much of the information which has to be included is not appropriate/applicable to small charities”

General comments

Other general comments made by interviewees included the following:

“Have difficulties in filling the forms for grants, smaller charities are overlooked by the government. Have difficulties to fill out e-mail address for public use without being given proper resources”

“I have concerns with the Charity Commission having two separate offices (Liverpool and Taunton) - lack of communication between the two”

“Statement of Recommended Practice (SORP) should not be changed every five years; this causes distress and results in charities having unnecessary expense”

“Given our size it doesn't impact us too much. We depend and rely on accountants who do it for us. It's mainly in reporting back to us and making sure we are financially secure and competent and legal in the way we do things within the regulations. It hasn't been a problem for us, can't recall a situation where someone wanted to do something that wasn't within the regulation”

Positive comments

Included within the responses were a number of positive comments regarding the regulations and/or changes as follows:

"I have no issues with info required by Charity Commission, but quite the opposite with the Arts Council's requirements"

"New requirements have had a positive effect"

4 Conclusions

This final Section of the report draws together the key conclusions which arise from the work that has been undertaken as part of the ABME. Specifically, the Section seeks to highlight those aspects of regulation which are likely to be most important in reducing the burden of regulation. In developing the conclusions, it has been important to take account of the department's existing initiatives in this area, as highlighted in this section, as well as the policy context within which the work has been undertaken. Specifically, the conclusions have been developed recognising the Chancellor of the Exchequer's commitment in his Budget statement in March 2006 that government departments will publish detailed targets for the reduction of these burdens; and ensure that these are reflected in the Simplification Plan.

The pattern of administrative costs

In interpreting the results emerging from the ABME it is important to understand the significance of the scale and distribution of the estimated costs. The total administrative costs for the Charity Commission across the nine regulations reviewed as part of this project were estimated at £277m. These costs are concentrated in two main groups of regulations, the Charities Act and Charities (Accounts and Reports) Regulations, which together account for approximately 93% of the total administrative costs for the Charity Commission. Moreover, 77% of the total estimated cost arises from the ten most costly IO/DRs out of the 132 which have been measured as part of the ABME. This implies that effort to reduce costs is likely to need to be focused on a relatively small number of regulatory areas.

Understanding administrative costs vs administrative burden

Building on this, it is also important to understand to what extent the costs which have been measured within the context of the ABME represent genuine administrative burdens for the charities which incur them. There are two key issues.

First, consideration needs to be given to the extent to which the activities that charities are required to undertake in order to meet a particular IO/DR are ones which they would not otherwise perform. Since a number of the more costly IO/DRs are to do with 'preparing an annual report' and 'obtaining an audit / independent examination report', it is possible that charities would conduct the activities anyway, for example as part of good governance, regardless of the regulations. To the extent that this is the case, then this would imply that any measures taken to reduce or remove the obligation facing charities would be unlikely to have a tangible effect on the organisation in the sense that they would reduce its costs. The evidence from the charity interviews indicates the relevance of this issue: 21% of charity respondents indicated that the information they produce to meet an IO/DR is prepared as part of 'normal' activities and 20% of respondents indicated that the data was produced in order to meet obligations arising for other government purposes.

Second, the ABME has attributed a cost to the time of all individuals involved in enabling a charity to meet its IO/DRs regardless of whether they are paid employees or volunteers. To the extent that volunteers' time is used, any reduction in the time required arising from an initiative within the Commission's simplification plan may not reduce a charity's need for cash in any given year, although it may allow volunteers to use their time in different ways.

Putting the results in context

As is mentioned elsewhere the total figure does not only represent actual expenditure as it includes a great deal of costed voluntary work. The overall figure should therefore be seen in the context of the overall size of the sector. For example, the income of registered charities suggests that the annual income of the sector as a whole is around £50 - £55 billion.

Similarly the analysis of the value of volunteers in the 2006 NCVO Almanac suggests that they contribute around £30 - £40 billion a year to charities in England and Wales.

£277.5 million therefore represents less than 0.5% of the total income/voluntary effort of the sector.

Figures on HMRC's website suggest that charities receive £1.8 to 2 billion of relief (income tax, business rates and so on). Using the above figures would mean that for every £1 spent on complying with the regulatory framework charities receive around £6.50 in financial benefits.

The results should also be seen in the context of the wider benefits of the charity regulatory framework not only to charities but also to the public and other stakeholders.

Recognising the implications for policy outcomes

Another important aspect of a significant proportion of the Charity Commission's regulations is that they are largely intended to enhance or maintain accountability and/or transparency within the charity sector by ensuring that annual reports, accounts and audits/inspections meet agreed, common standards. This means that it is potentially difficult to distinguish between the administrative costs and policy costs. The implication of this is important. To the extent that the Charity Commission seeks to reduce the estimated administrative costs associated with these regulations, there may be a risk that the effectiveness of the policies could be affected.

Determining the scope for reducing administrative costs and burdens

In considering how the Charity Commission might take steps to reduce the administrative costs and burden associated with the most costly regulations it owns, several key questions need to be examined:

- How do the types of obligation arising from Charity Commission regulations affect the potential way forward and possibilities for reduction? The estimates from the ABME indicate that around 95% of the administrative cost arises from making 'returns and reports' (i.e. the need for charities to produce an annual report or set of financial statements) (68%) and 'carrying out or cooperating with inspections or audits' (27%). Only a small proportion of costs (1½%) relates to 'keeping records'. This is because one of the most significant IO/DRs relating to 'keeping records' has been excluded from the report. The implication is that the Commission needs to look at ways of reducing the number of times each activity is undertaken and/or making the activities easier to undertake.
- Can the frequency with which charities are required to meet an obligation be reduced? As previously noted, the frequency that each activity needs to be performed affects the overall administrative costs, especially given the significant population of charities that are affected by many of the regulations. Consideration, therefore, needs to be given to whether or not it would be feasible to reduce the frequency given that many of the activities relate to areas such as accounts preparation, producing annual reports and cooperating with audits / independent examinations which are usually only performed once each year.
- Can the number of charities affected by the regulations be reduced? Many of the Charity Commission's most costly IO/DRs affect relatively large populations. Although the Charity Commission has already taken some steps to reduce the burden on smaller charities, for example by altering the threshold at which full statutory accounts need to be produced, some smaller charities are still impacted by the requirement for audit/independent examination and production of an annual report and annual return with the result that a significant cost remains. The question, therefore, is whether more can be done to reduce the number of charities which are within scope.

- Are there new ways in which the burden of meeting each IO/DR can be reduced? During the charity interviews, several charities commented that the actual burden of regulation could be reduced by creating more simplified methods of data collection, for example via online returns or submitting annual audited accounts instead of annual returns. Further work is needed to determine whether this would actually reduce the burden of meeting each IO/DR or simply alter the way in which information was collected.

In addition, a clear message within the BRTF's report, 'Regulation: Less is More', was the principle of 'one in, one out' with regards to regulation. It is apparent from the ABME that there are some regulations or IO/DRs within them that apply to very few if any charities.

The role of consultation

Discussions with various charities as part of the ABME have generated valuable quantitative and qualitative information which provide the basis for the Charity Commission to start to understand what it might do to reduce the costs and burden associated with administration. It has highlighted that a significant proportion of charities believe that they understand the purpose of the regulations which affect them: 55% of interviewees commented that regulations were easy or very easy to interpret / understand. This suggests that charities would have a significant contribution to make regarding the future simplification of the regulatory framework.

The impact of regulation on the charities sector

The work summarised in this report has estimated the administrative costs associated with those regulations which are owned by the Charity Commission. Whilst all of these regulations only affect the charities sector, there are other regulations which are 'owned' by other departments that will also impact on charities and, hence, potentially give rise to an additional administrative cost and burden for charities. For example, charitable companies need to comply with a number of regulations which are owned by the DTI, for example the requirements of the Companies Act 1985 with regard to financial reporting. The costs associated with these regulations are, however, covered in a series of separate reports which deal individually with each of the other departments.

Clearly these questions are only 'food for thought' in the early stages of the next part of this project to identify and implement simplification plans. The Charity Commission have already started to make steps to consider how the information provided by this exercise can be brought into their wider simplification plans.

Charities Bill

The Charities Bill contains a number of proposals to simplify things for charities, particularly small charities. While many of them will be very helpful for charities in specific circumstances they may not have a significant impact on the baseline as they are likely to be used by relatively few charities per year.

The Bill also proposes to raise the audit threshold. This will have some impact on the baseline but again is a relatively low population requirement.

Review of Thresholds

Approximately 90% of the Commission's baseline is attributable to accounts and reporting. It follows that proposals to significantly reduce burden will largely focus on these areas. The Commission will now look beyond the Bill proposals to identify more measures to reduce the burden on charities. The government is committed to reviewing the thresholds in the legislation within a year of Royal Assent. This will be an ideal opportunity to look at simplification proposals in this area and to consult on specific suggestions. If the Bill does not proceed we would suggest that the review happens as part of the simplification agenda.

We would note, however, that requirements of this kind can be central to the accountability and transparency of charities and, as mentioned earlier, there may be limited scope to remove them altogether. If this is the case, however, the Commission will explore other ways of reducing the burden.

Annual Return – Including the Summary Information Return (SIR)

The Commission makes the Annual Return regulations itself and reviews them annually. After the last review 56,000 charities no longer had to complete one of the sections of the return. The Commission will take account of reduction issues in the next review and are already committed to reviewing the SIR in 2007.

Online Services

The Commission is developing the services it offers to charities online. A number of initiatives were introduced in 2005/6. For example, charities can now submit their accounts and amend their register details online. The Commission expect online registration to be introduced in 2006/7.

5 Glossary

Generic abbreviations

Abbreviation	Definition
ASHE	Annual Survey of Hours and Earnings
ABME	Administrative Burdens Measurement Exercise
ABRP	Administrative Burdens Reduction Project
ABR.net	A bespoke project management information system used as a repository of all data used in the ABME
BRAP	Better Regulation Action Plan
BRE	Better Regulation Executive
BRTF	Better Regulation Task Force
BRU	Better Regulation Unit
DCTL	Department Contractor Team Lead
DR	Data Requirement
EU	European Union
HMRC	Her Majesty's Revenue and Customs
IDBR	Inter Departmental Business Register
IO	Information Obligation
ISU	International Survey Unit
NDPBs	Non-Departmental Public Bodies
PwC	PricewaterhouseCoopers LLP
Reg	Regulation
SCM	Standard Cost Model
SDL	Senior Departmental Lead
SE	Single European Company Regulation
SI	Statutory Instrument
SIC	Standard Industrial Classification

Charity Commission abbreviations

Abbreviation	Definition
SIR	Summary Information Return
SORP	Statement of Recommended Practice

Abbreviation	Definition
RSL	Registered Social Landlord

Definitions

Each of the technical terms used within the reports to Departments is defined below for ease of reference, based on the definitions set out within the SCM.

Technical term	Definition
Administrative costs	<p>The costs of the administrative activities that a business incurs when it complies with the information obligations that are imposed through central government regulation.</p> <p>The total unit administrative costs are made up of:</p> <ul style="list-style-type: none"> • Internal time costs required to complete task (Wages x Time) • Overhead costs (calculated as a percentage of internal time costs) • External services • External goods <p>The total unit administrative costs are multiplied by the quantity to derive the total administrative costs.</p> <p>Elements which are not captured within administrative costs are:</p> <ul style="list-style-type: none"> • One-off costs – only recurring costs are included • Training costs (these are assumed to be included within overhead costs) <p>Also see internal services definition.</p>
Administrative burden	<p>That part of the administrative costs that a business sustains only because it has to comply with regulation.</p> <p>The administrative burden is thus a subset of the administrative costs that a business will incur when complying with a regulation (i.e. it excludes 'business as usual' costs).</p>
Baseline	<p>The measure of administrative costs against which the Government will set targets for departments for administrative burden reduction. It is not part of the Administrative Burdens Measurement Exercise and has not been identified as part of this project.</p>
Business	<p>An organisation in any sector of the economy, with the exception of the public sections of public administration and public services as defined by the Office for National Statistics for National Accounts purposes. This definition, therefore, includes business, charities and the voluntary sector.</p>
Compliant business	<p>One which meets all of its regulatory obligations specifically around the provision of information to government and third parties.</p>
Compulsory regulation	<p>Those regulations that businesses have to follow in order to comply with relevant legislation or because there is in effect clear government backing. They contrast with voluntary regulations.</p>
Continuous	<p>The frequency of an information obligation where activity is ongoing throughout the year. For example if the information obligation is "to put labels on jam jars" then it is continuous with no specified frequency.</p>
Contingent requirements	<p>Those which only impose a burden in the event of a particular event occurring: the passage of time alone will not give rise to a contingent requirement.</p>
Data Requirement (DR)	<p>Each information obligation consists of a number of pieces of different information or data that a business shall provide in order to be able to comply with the information obligation.</p>
Demarcation	<p>The process whereby 'ownership' of the information obligations within a regulation which is shared by two or more departments is agreed with the aim of minimising double counting.</p>

Technical term	Definition
European Union Regulation	<p>European Union (EU) Regulations are directly applicable in all Member States of the EU. For this reason they constitute the most powerful or influential form of EU law.</p> <p>Because regulations have direct effect, the individual countries do not need to pass local laws to bring them into effect, and indeed any local laws contrary to the regulation are overruled, as EU Law is supreme over the laws of the Member States. Member States therefore have to legislate in the light of, and consistently with the requirements of, EU Regulations.</p>
European Union Directive	<p>A directive, on the other hand, is only applicable in the Member States when the objectives it contains have been transposed into national law. This is the minimum; member states may implement more than directed by the EU in order to fully implement the directive.</p> <p>A European Union (formerly European Economic Community (EEC)/European Community (EC)) legal instruction, binding on all Member States but which must be implemented through national legislation within a prescribed time-scale.</p>
E-government solutions	<p>For a growing number of information obligations electronic solutions are made available to the businesses whereby they are able to report the required information, apply for subsidy or permits etc via the internet. An electronic solution is understood to mean that the businesses are able to send in the required information via electronic communication. A form that the businesses can download from a homepage and which subsequently has to be printed out and submitted by letter or fax, is thus not an electronic solution.</p>
External time cost	<p>In some cases businesses outsource administrative activities to service providers outside the business. These provider groups are called external service providers.</p> <p>Things which are measured are:</p> <ul style="list-style-type: none"> • Number of hours/minutes spent on administrative activity: • Hourly rate for various external service providers that perform administrative activities.
External goods & services	<p>This refers to the purchase of any goods or services from external suppliers in order to prepare and provide information for an Information obligation, for example postage, printing, software, technical equipment/machinery or professional services.</p>
Familiarisation with requirements	<p>Familiarisation is one of the seven groups of administrative activities. It includes the time required by a business to familiarise itself with the rules for a given information obligation.</p>
First time costs	<p>The costs associated with complying with regulations as part of starting a business or with particular requirements for those businesses complying with regulations for the first time. These costs are included in the calculations.</p>
Form filling	<p>Any standardised way of meeting an information obligation, for example, this could include electronic forms, paper forms, online forms or contact with a call centre.</p>
Frequency	<p>The number of times a business fulfils a data requirement per year.</p>
Gathering and assessing relevant information/figures	<p>Gathering and assessing relevant information/figures is one of the seven groups of administrative activities. It includes the retrieval of relevant figures and information needed to comply with a given information obligation and the assessment of which figures and information are necessary for the public authorities to accept the report.</p>
Government	<p>Government for this measurement is defined to include all bodies that are principally controlled and financed by central government i.e. all executive agencies, next steps agencies, non-departmental public bodies, regulators and arms-length bodies for which departments have to account to Parliament as well as government institutions which operate abroad, such as embassies. It also includes local government insofar as it acts to implement and enforce the policy of central government.</p>
Holding meetings	<p>Holding meetings is one of the seven groups of administrative activities. It includes meetings held internally between the various personnel groups involved in complying with the information obligation and meetings held in cases where compliance with the information obligation requires meetings with an auditor, lawyer or the like.</p>
Information Obligation (IO)	<p>A duty to procure or prepare information and subsequently make it available to a public authority, as well as a duty to facilitate the collection or preparation of information by others, e.g. by permitting and cooperating with an audit, visit or inspection. It includes regular requirements to read guidance on an information obligation and updated rules. A business cannot decline without coming into conflict with the law or being ineligible for continued funding, grants and other applied for schemes.</p>

Technical term	Definition
Inspections	Co-operating with inspections is one of the seven groups of administrative activities. It includes the costs incurred by a business which must assist external inspectors when they carry out their inspection at the business, and those incurred in complying with corrections resulting from inspection by public authorities.
Internal time & cost	The number of hours and minutes spent by a business on the administrative activities required to meet an information obligation, valued using the average hourly pay for each of the relevant occupational groups that perform the various administrative activities. The relevant occupation groups are the employee groups within the businesses that perform the administrative activities. Internal hourly pay is based on occupation groups with their hourly pay from the Office for National Statistics Annual Survey of Hours and Earnings (ASHE).
Making settlements or payments	Making settlements is one of the seven groups of administrative activities. It includes the payment of charges and the like.
Normally efficient business	A normally efficient business is one within the affected group that handles their administrative tasks in a normal manner (i.e. it handles its administrative tasks neither better nor worse than may be reasonably expected).
One-off costs	The costs that are only sustained once in connection with the businesses adapting to a new or amended legislation/regulation. This does not include the costs that a business may have in relation to complying with existing regulations for the first time (see First time costs above).
One-off frequency	A once in a lifetime obligation or one-time requirement triggered by an event
Origin of regulation	In order to provide an overview of where responsibility for regulation rests, the information obligations have been classified in three main categories based on their origin: <ol style="list-style-type: none"> 1. Information obligations that are exclusively and completely a consequence of EU rules and other international obligations - the international rules describe which information businesses have to produce; 2. Information obligations that are a consequence of EU rules and other international obligations. The purpose will be formulated in the international rules, while implementation (including formulation of the specific data requirements) will be left to the member states. The international rules do not describe which information a business has to produce. 3. Data requirements that are exclusively a consequence of rules formulated at national level.
Overhead	Costs in addition to direct pay costs for individual employees, including: <ul style="list-style-type: none"> ▪ Fixed administration costs such as expenses for premises (rent or building depreciation), telephone, heating, electricity, IT equipment etc; ▪ Absence owing to illness; and ▪ Employers' National Insurance Contributions.
Preparing figures	Preparing figures is one of the seven groups of administrative activities. It includes: <ul style="list-style-type: none"> • Calculation - performing the relevant calculations needed for the public authorities to accept the report; • Presentation of figures in tables or the like; • Checking the calculated figures, e.g. by reconciliation with other data; and • Correction if the business's own checks reveal errors in the calculations.
Population	How many businesses are affected by any particular information obligation or data requirement.
Quantity	The size of the population of businesses affected multiplied by the frequency that the activity must be completed each year. It is stated annually and represents either (i) the actual number of transactions e.g. number of licence applications submitted p.a. or (ii) the estimated number of transactions derived as the sector population multiplied by frequency e.g. number of farmers x 4 (representing quarterly returns).

Technical term	Definition
Rare contingent requirement	Rare and contingent requirements arise where it is agreed that the actual/expected frequency with which an obligation is faced is so low that it should not be considered part of the recurring administrative costs.
Recurring costs	The administrative costs that a business constantly incurs when complying with the information obligations arising from regulation. They may be costs that arise at regular intervals, e.g. returns to Companies House. They can also be costs that arise at irregular intervals e.g. if there is an application for an export subsidy or planning permission. They may also be an administrative task that an individual business only undertakes on one occasion, e.g. in connection with business registration or upon application for authorisation.
Regulation	<p>A regulation is defined as a rule with which failure to comply would result in a business coming into conflict with the law or being ineligible for continued funding, grants and other applied for schemes. It can be summarised as all measures with legal force imposed by central government and other schemes operated by central government, including:</p> <ul style="list-style-type: none"> • Directly applicable EU Regulations; • Directly applicable sections of Acts of Parliament; • Statutory Instruments; • Rules, orders, schemes, regulations etc. made under statutory powers by Ministers or agencies; • Licences and permits issued under central Government authority; • Codes of Practice with statutory force; • Guidance with statutory force; • Codes of Practice/Guidance/Self-Regulation/Industry Agreements with Government backing, e.g. "Approved Codes of Practice"; and • Bye-laws made by central Government. <p>It excludes:</p> <ul style="list-style-type: none"> • Codes of Practice/Guidance without government backing; • Voluntary agreements between businesses including self-regulation/industry agreements with no government backing; • Obligations arising from local government measures where these are not concerned with implementing central government policy; and • Obligations arising from the Common Law (e.g. of an employer to his employees).
Regular	One possible frequency of an information obligation. For example, an information obligation which occurs within a period of a year at a specified interval this would be classed as regular (e.g. every six months, three times per year or annually).
Reporting Unit	<p>A series of Reporting Units have been defined for this report as the basic unit of analysis. They are groups of policy areas where:</p> <ul style="list-style-type: none"> • the number of regulations owned by the Unit is at least 30; and • the number of information obligations/data requirements is more than 150.
Reporting	Reporting is one of the seven groups of administrative activities. It includes preparing written descriptions, copying, filing, distribution or submitting info/reports, e.g. the directors' report in the Financial Statements Act.
Segmentation	Segmentation ensures measurements reflect differing cost/resource structures in businesses and the incidence of particular regulations. It is also needed to allow specific areas of interest to be analysed. Standard segmentation reflects the four size bands for businesses defined by the Small Business Service.
Standard Cost Model	The Standard Cost Model (SCM) provides a framework and methodology for measuring administrative costs.
SIC Code	The SIC Code refers to a four or five digit code defined on the basis of the Office for National Statistics' Standard Industry Classification which is used to classify/describe the industry sector of organisations required to meet an information obligation.

Technical term	Definition
Third parties	Third party refers to another person/s or organisation that is not a public sector body. Examples of third party bodies include parents, employees, consumers and stakeholders. Even where an information obligation does not specify a third party but stipulates the requirement for protocols/guidance etc to be in place, it can be interpreted that the obligation is owed to a third party.
Voluntary regulation	Voluntary actions fall within the scope of the Standard Cost Model; examples include applying for licences, support schemes, grant schemes, etc.

Annex A: Administrative costs by Department

This annex presents the detailed results of the ABME for the Charity Commission.

The estimates of administrative costs included in this report are based on the application of the SCM which is designed to produce consistent estimates and so enable measurements to be compared and targets for reductions to be set across government. For practical reasons, the SCM relies on deriving estimates of the standard cost of meeting each of the IO/DRs within a regulation for a 'normally efficient business'. It relies on the input of a limited number of experts and/or businesses. As such, it does not produce a statistically representative measurement of costs: instead, it is a pragmatic approach to measurement that gives an indicative estimate of the magnitude of costs which provides a starting point for setting reduction targets and highlighting the areas of focus. Moreover, the nature of the estimation process means that the greater the level of disaggregation of the cost estimates, the greater the potential margins of error surrounding the cost estimate.

Table 14 appears in all reports. Where relevant to the Department it provides an overview of the regulations for which the Department is at least partly responsible that link to other regulations and where demarcation has been agreed between departments. In the case of the Charity Commission there is only one linked regulation as described below:

Table 14: Demarcation of regulations

Regulation/Information obligations/Data requirement	Demarcation description	Total cost (after demarcation)* £ (million)	Total cost (before demarcation) £ (million)
Charities Act 1993	Another government department is currently responsible for charity law policy, the Charity Commission is responsible for the regulation of charities in England and Wales. For the purposes of measuring the administrative costs of the regulations, the Charities Act 1993 sits almost entirely with the Charity Commission (as the regulator), with the exception of one DR.	£58.6	£58.6

Footnote: The costs shown in this table are indicative estimates. They have been prepared on a consistent basis in accordance with the SCM but still need to be interpreted with caution given the nature of the SCM (see Section 2.3 for further details).

The tables below present the results for the department as a whole.

Department - Charity Commission

The tables show regulations within the Charity Commission as follows:

- Total administrative cost (see Table 15)
- The distribution of administrative costs (see Table 16)
- Third party/non-third party and internal/ external costs (see
- Table 17)

The regulations have been listed in order of the total administrative cost, with the highest cost regulation shown first.

Table 15: Regulations by total administrative costs

Regulation	Total administrative cost	
	£ (million)	% of department total
Charities (Accounts and Reports) Regulations 2005	£75.7	27%
Charities (Accounts and Reports) Regulations 1995	£67.2	24%
Charities Act 1993	£58.6	21%
Charities (Accounts and Reports) Regulations 2000	£56.2	20%
Charities (Annual Return) Regulations 2005	£12.2	4%
Charities (Annual Return) Regulations 2003	£7.7	3%
Charities (Receiver and Manager) Regulations 1992	£0.0	0%
Reverter of Sites Act 1987	£0.0	0%
Charities (Misleading Names) Regulations 1992	£0.0	0%
Charity Commission total	£277.5	100%

Footnote: The costs shown in this table are indicative estimates. They have been prepared on a consistent basis in accordance with the SCM but still need to be interpreted with caution given the nature of the SCM (see Section 2.3 for further details).

Table 16: The distribution of administrative costs by IO/DR by regulation

Regulation	Total administrative cost per regulation £ (million)	Distribution of administrative cost £ ('000)			Number of IO/DRs
		Minimum cost IO/DR	Median cost IO/DR	Maximum cost IO/DR	
Charities (Accounts and Reports) Regulations 2005	£75.7	£0	£158	£26,202	17
Charities (Accounts and Reports) Regulations 1995	£67.2	£0	£14	£31,466	16
Charities Act 1993	£58.6	£0	£1	£42,616	73

Regulation	Total administrative cost per regulation	Distribution of administrative cost £ ('000)			Number of IO/DRs
	£ (million)	Minimum cost IO/DR	Median cost IO/DR	Maximum cost IO/DR	
Charities (Accounts and Reports) Regulations 2000	£56.2	£0	£8,899	£18,431	6
Charities (Annual Return) Regulations 2005	£12.2	£80	£234	£7,100	10
Charities (Annual Return) Regulations 2003	£7.7	£0	£1,613	£4,450	4
Charities (Receiver and Manager) Regulations 1992	£0.0	£0	£0	£0	3
Reverter of Sites Act 1987	£0.0	£0	£0	£0	2
Charities (Misleading Names) Regulations 1992	£0.0	£0	£0	£0	1
Charity Commission Total	£277.5	£0	£6	£42,616	132

Footnote: The costs shown in this table are indicative estimates. They have been prepared on a consistent basis in accordance with the SCM but still need to be interpreted with caution given the nature of the SCM (see Section 2.3 for further details).

Table 17: Administrative costs by regulation - breakdown by third party/non-third party and internal/ external categories¹⁰

	Third party			Non-third Party			Total administrative costs		
	Internal cost %	External cost %	Total £ (million)	Internal cost %	External cost %	Total £ (million)	Internal cost %	External cost %	Total £ (million)
Charities (Accounts and Reports) Regulations 2005	-	-	£0.0	32%	68%	£75.7	32%	68%	£75.7
Charities (Accounts and Reports) Regulations 1995	-	-	£0.0	42%	58%	£67.2	42%	58%	£67.2
Charities Act 1993	100%	0%	£1.8	96%	4%	£56.8	96%	4%	£58.6
Charities (Accounts and Reports) Regulations 2000	-	-	£0.0	31%	69%	£56.2	31%	69%	£56.2

¹⁰ A third party is any other person or organisation that is not a public sector body, for example employees, consumers, parents and other stakeholders. For the purposes of the definition, a public sector body is a government department or agency (including law enforcement, local government, emergency services etc), a court, a government funded school or other educational institution. Where an IO/DR refers specifically to an inspector but does not clarify who the inspector might be, it is deemed to refer to a public sector body. For the purpose of distinguishing third party and non-third party administrative costs, an obligation to a third party arises only if it is exclusively owed to third parties (e.g. parents). Therefore, there are some obligations that apply to third parties that are not flagged as such because they also apply to public sector bodies

	Third party			Non-third Party			Total administrative costs		
	Internal cost %	External cost %	Total £ (million)	Internal cost %	External cost %	Total £ (million)	Internal cost %	External cost %	Total £ (million)
Charities (Annual Return) Regulations 2005	-	-	£0.0	53%	47%	£12.2	53%	47%	£12.2
Charities (Annual Return) Regulations 2003	-	-	£0.0	100%	0%	£7.7	100%	0%	£7.7
Charities (Receiver and Manager) Regulations 1992	-	-	£0.0	100%	0%	£0.0	100%	0%	£0.0
Reverter of Sites Act 1987	100%	0%	£0.0	100%	0%	£0.0	100%	0%	£0.0
Charities (Misleading Names) Regulations 1992	-	-	£0.0	100%	0%	£0.0	100%	0%	£0.0
Charity Commission Total	100%	0%	£1.8	50%	50%	£275.7	51%	49%	£277.5

Footnote: The costs shown in this table are indicative estimates. They have been prepared on a consistent basis in accordance with the SCM but still need to be interpreted with caution given the nature of the SCM (see Section 2.3 for further details).

Table 18 below summarises the origin breakdown for each regulation. The regulations have been listed in order of the total administrative cost, with the highest cost regulation shown first.

Table 18: Administrative costs by origin

	International, no domestic discretion (A)		International, domestic discretion (B)		Domestic (C)		Total admin costs £ (million)
	£ (million)	% of Regulation total	£ (million)	% of Regulation total	£ (million)	% of Regulation total	
Charities (Accounts and Reports) Regulations 2005	£0.0	0%	£0.0	0%	£75.7	100%	£75.7
Charities (Accounts and Reports) Regulations 1995	£0.0	0%	£0.0	0%	£67.2	100%	£67.2
Charities Act 1993	£0.0	0%	£0.0	0%	£58.6	100%	£58.6
Charities (Accounts and Reports) Regulations 2000	£0.0	0%	£0.0	0%	£56.2	100%	£56.2

	International, no domestic discretion (A)		International, domestic discretion (B)		Domestic (C)		Total admin costs £ (million)
	£ (million)	% of Regulation total	£ (million)	% of Regulation total	£ (million)	% of Regulation total	
Charities (Annual Return) Regulations 2005	£0.0	0%	£0.0	0%	£12.2	100%	£12.2
Charities (Annual Return) Regulations 2003	£0.0	0%	£0.0	0%	£7.7	100%	£7.7
Charities (Receiver and Manager) Regulations 1992	£0.0	0%	£0.0	0%	£0.0	100%	£0.0
Reverter of Sites Act 1987	£0.0	0%	£0.0	0%	£0.0	99%	£0.0
Charities (Misleading Names) Regulations 1992	£0.0	0%	£0.0	0%	£0.0	0%	£0.0
Charity Commission Total	£0.0		£0.0		£277.5		£277.5

Footnote: The costs shown in this table are indicative estimates. They have been prepared on a consistent basis in accordance with the SCM but still need to be interpreted with caution given the nature of the SCM (see Section 2.3 for further details).

Table 19 below summarises the breakdown of third party/non-third party admin costs by origin. This table is at summary level only.

Table 19: Summary administrative costs by origin by third party/non-third party

	International, no domestic discretion (A) £ (million)			International, domestic discretion (B) £ (million)			Domestic (C) £ (million)			Total £ million
	Third party	Non-third party	Total	Third party	Non-third party	Total	Third party	Non-third party	Total	
Total for the Charity Commission	£0.0	£0.0	£0.0	£0.0	£0.0	£0.0	£1.8	£275.7	£277.5	£277.5

Footnote: The costs shown in this table are indicative estimates. They have been prepared on a consistent basis in accordance with the SCM but still need to be interpreted with caution given the nature of the SCM (see Section 2.3 for further details).

Table 20 below shows a more detailed breakdown of administrative costs by origin according to type (as defined in the UK Standard Cost Manual) by regulation. The regulations have been listed in order of the total administrative cost, with the highest cost regulation shown first.

Table 20: Administrative costs by sub category by origin by regulation

	International, no domestic discretion (A)				International, domestic discretion (B)				Domestic (C)
	1: EU Regulation £ (million)	2: EU Directive £(million)	3: Other International £ (million)	% for type A	1: EU Regulation £ (million)	2: EU Directive £(million)	3: Other International £ (million)	% for type B	% for type C
Charities (Accounts and Reports) Regulations 2005	£0.0	£0.0	£0.0	0%	£0.0	£0.0	£0.0	0%	100%
Charities (Accounts and Reports) Regulations 1995	£0.0	£0.0	£0.0	0%	£0.0	£0.0	£0.0	0%	100%
Charities Act 1993	£0.0	£0.0	£0.0	0%	£0.0	£0.0	£0.0	0%	100%
Charities (Accounts and Reports) Regulations 2000	£0.0	£0.0	£0.0	0%	£0.0	£0.0	£0.0	0%	100%
Charities (Annual Return) Regulations 2005	£0.0	£0.0	£0.0	0%	£0.0	£0.0	£0.0	0%	100%
Charities (Annual Return) Regulations 2003	£0.0	£0.0	£0.0	0%	£0.0	£0.0	£0.0	0%	100%
Charities (Receiver and Manager) Regulations 1992	£0.0	£0.0	£0.0	0%	£0.0	£0.0	£0.0	0%	100%
Reverter of Sites Act 1987	£0.0	£0.0	£0.0	0%	£0.0	£0.0	£0.0	0%	100%
Charities (Misleading Names) Regulations 1992	£0.0	£0.0	£0.0	0%	£0.0	£0.0	£0.0	0%	0%
Total for Charity Commission	£0.0	£0.0	£0.0	0%	£0.0	£0.0	£0.0	0%	100%

Footnote: The percentage shown is the proportion of the admin cost for type A,B and C as a proportion of the admin cost for the reporting unit / department overall i.e. by row.

Footnote: The costs shown in this Table are indicative estimates. They have been prepared on a consistent basis in accordance with the SCM but still need to be interpreted with caution given the nature of the SCM (see Section 2.3 for further details).

Table 21 shows the percentage origin for all regulations in the department. The regulations have been listed in order of the total administrative cost, with the highest cost regulation shown first.

Table 21: Percentage administrative cost by origin by regulation

Regulation	Total administrative cost		% Cost by origin		
	£ (million)	% of department total	A	B	C
Charities (Accounts and Reports) Regulations 2005	£75.7	27%	0%	0%	100%
Charities (Accounts and Reports) Regulations 1995	£67.2	24%	0%	0%	100%
Charities Act 1993	£58.6	21%	0%	0%	100%
Charities (Accounts and Reports) Regulations 2000	£56.2	20%	0%	0%	100%
Charities (Annual Return) Regulations 2005	£12.2	4%	0%	0%	100%
Charities (Annual Return) Regulations 2003	£7.7	3%	0%	0%	100%
Charities (Receiver and Manager) Regulations 1992	£0.0	0%	0%	0%	100%
Reverter of Sites Act 1987	£0.0	0%	0%	0%	100%
Charities (Misleading Names) Regulations 1992	£0.0	0%	0%	0%	100%
Charity Commission Total	£277.5	100%	0%	0%	100%

Footnote: The costs shown in this table are indicative estimates. They have been prepared on a consistent basis in accordance with the SCM but still need to be interpreted with caution given the nature of the SCM (see Section 2.3 for further details).

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