

Charity Commission
Simplification Plan
December 2006



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Charity Commission Simplification Plan

1. Executive Summary

1.1. The Commission's Simplification Plan is part of a cross government initiative and we believe its timing and contents fit well with our Strategic Review and our commitment to proportionate regulation.

1.2 The Plan covers a number of measures that we have taken already and relevant provisions of the Charities Act 2006. It also includes a number of other proposals to significantly reduce the burden on charities with particular emphasis on small charities.

1.3. Our highest cost regulations are in the areas of accounting and reporting and these proposals would have the greatest impact on the costs of Annual Returns, Trustees' Annual Reports, and the preparation and examination of accounts.

1.4. Work remains to be done to implement many of the proposals but we are committed to achieving, and if possible improving on, our target of a 25% reduction in administrative burdens by March 2010. Next year's review of financial thresholds will explore some of the ideas in the Plan and identify the scope for further change.

1.5. We do not intend to limit ourselves to the measures in the Plan or to assume that we need do no more than meet the 25% target. We will continue to look for new ways to help charities by delivering a regulatory framework that is consistent with a modern approach to regulation. As new ideas emerge the Plan will be updated.

1.6. In recent years stakeholders have made a major contribution to the process of improving charity regulation and the Plan reflects this. We hope they will continue to do so and welcome all comments on the Plan and any suggestions for further improvement.

2. Introduction

2.1. The Charity Commission is established by law as the regulator and registrar of charities in England and Wales. Our aim is to provide the best possible regulation of these charities in order to increase charities' efficiency and effectiveness and public confidence and trust in them.

2.2. Following the Government's acceptance in 2005 of the Better Regulation Task Force's report, *Less is More* the Charity Commission, in line with other Government departments and regulators, has developed a rolling programme of regulatory simplification to reduce the administrative costs of Charity Commission regulations for charities.

2.3. The Commission welcomes the opportunity to publish its Simplification Plan not only as a reflection of our commitment to a better regulation agenda but also as a way of reflecting the changes flowing both from our own strategic review of the way we work and the provisions of the Charities Act 2006 (the 2006 Act). It received Royal Assent in November and is expected to be implemented in stages beginning in early 2007.

2.4. This Plan summarises the key steps we are taking to simplify regulation for charities and, where possible, estimates the cost savings of individual measures.¹

2.5. All our new policies and procedures are Compact Compliant and accompanied by Regulatory Impact Assessments. We are particularly interested in charities' comments on our simplification plans and we continue to invite suggestions from the sector via our website and other publicity. For example, we included a request for ideas in the Summer edition of our newsletter *Charity Commission News* that was sent to all registered charities in May 2006. We have received a number of specific proposals and other responses have identified areas that would particularly benefit from simplification. All of the replies were helpful - some of the points raised are being addressed by the initiatives covered by this plan, others will inform our thinking about further changes.

2.6. Most charity specific regulation was allocated to the Commission's administrative burden "baseline" as the department responsible for enforcement. However, some other charity specific measures in which the Commission has no enforcement role were more appropriate for the Cabinet Office's Simplification Plan. This includes the 2006 Act provisions for Public Charitable Collections and the creation of the Charitable Incorporated Organisation. Further details can be found on the Cabinet Office's website.

2.7. Charities are also covered by a wide range of regulation that is not specifically aimed at charities. Health and Safety measures and employment law are examples. These areas will be covered by the plans of the responsible department. While the Commission has had no direct input to these plans we regularly liaise with other government departments on proposals with implications for charities.

¹ Further details can be found in our corporate plan which can be found at <http://www.charity-commission.gov.uk/Library/spr/pdfs/corpplan06.pdf>

3. Background

3.1. The plan looks at measures that affect charities in England and Wales – whether registered or not. At the moment there are 190,000 registered charities. There are also around 100,000 excepted² and 10,000 exempt³ charities that are not registered. Not all of the initiatives in the plan will help or apply to every kind of charity but each charity will benefit from something.

3.2. The annual income of registered charities is £40 billion. We do not have figures for unregistered charities but we estimate that the total income of the charitable sector in England and Wales is at least £55 billion.

3.3. Volunteers also play a significant role in the work of charities and, based on estimates⁴, their contribution is worth a further £30 - £40 billion a year.

4. Regulatory Principles

4.1. In preparing the plan we have followed the principles of better regulation – proportionate, accountable, consistent, transparent and targeted.

4.2. In particular, as described in our Strategic Review for 2005 – 2008, we aim to engage with charities in a way which makes the most difference to them. Any actions we take will be proportionate, fair and reasonable, taking account of the issue, the risk involved to the charity and its beneficiaries and the capacity of the charity to comply. A further principle that we will follow is only to ask for information that we need.

5. Main Reduction Measures.

5.1. The regulations allocated to the Commission were measured as costing charities £49.4 million annually as at May 2005. We have committed to achieving at least a net reduction target of 25% to be measured against this amount by March 2010. So we will also take account of the anticipated further £5.5 million of potential additional regulatory costs (see Section 9 and Annex 3 below for further details).

5.2. This Plan proposes reduction measures falling into four main categories.

(i) Changes that have already been made

These include, for example, the introduction of online services and reducing the Annual Return burden for charities with annual income between £10,000 and £250,000.

(ii) The provisions of the 2006 Act

² These are charities, for example some Christian religious denominations, which are currently excepted from the requirement to register with the Charity Commission.

³ These are charities, for example some universities and museums, which are currently exempt from the requirement to register with the Charity Commission.

⁴ The UK Voluntary Sector Almanac 2006. NCVO

These include, for example, simplifying and raising the registration threshold and an increase in the audit threshold.

(iii) Review of Financial Thresholds

The government is committed to a review of the financial thresholds in the Charities Act in 2007. The Commission will work with colleagues from the Office of the Third Sector on this review. This is an important opportunity to explore proposals that would reduce the burden on the charitable sector. Many thresholds are in areas that are central to the transparency and accountability of the sector but we will use the review to consult on thresholds that would better reflect a modern, risk-based, approach to regulation.

In particular, we will consult on proposals for easing the burden on smaller charities. We will work up detailed proposals in this area. We believe that all charities should have to prepare annual accounts. However, our initial work shows that the following relatively modest changes in other areas could have a significant impact:

- Annual Return - Increasing the current threshold from £10,000 to, say, £25,000
- Trustees' Annual Report (TAR) - All registered charities have to prepare a TAR and those with income over £10,000 have to send it to the Commission. This could be changed so that charities below the £10,000 threshold do not have to prepare a TAR
- Independent Examination - Increasing the current threshold from £10,000 to £25,000 or more

Further proposals are likely to emerge from the review as it looks at other thresholds and considers more significant changes in the areas mentioned above.

All proposals for change will be subject to wide consultation as part of the review. They will also require secondary legislation. Stakeholders will have the opportunity to comment on whether proposals will strike the correct balance between burden reduction and the need for accountability and transparency of the sector.

(iv) Improved Guidance and Annual Return Preparation.

We are committed to continuing to review and improve all of our guidance but there is one specific area which we believe could produce particularly significant savings. The Administrative Burden measurement (AB) of the costs of preparing the Annual Return indicates that charities with income between £10,000 and £250,000 spend an average of £138 on external help. The Annual Return is intended to be a straightforward document for charities to complete and, while there may be the odd exception, we do not think that external help is necessary.

We believe, therefore, that improved and better focused guidance could reduce the external cost element by 75% by March 2010. If we reduce the external costs it follows that we should expect an increase in internal costs as charities do more of the work internally. We believe that external costs must relate to professional help that would be more expensive than internal time. We have assumed therefore that for every £3 saved on external costs, internal costs will increase by £1. The overall effect will therefore be to reduce the total costs by 50% of external costs. This will make Admin Burden savings of £3.95 million a year.

6. Assumptions

6.1. Achievement of the simplification plan is based on the following assumptions:

- That the 2006 Act is implemented;
- That secondary legislation is obtained to implement any changes arising from the review of financial thresholds: and
- That costs arising from voluntary registration are Business as Usual costs and so do not need to be included. The supporting papers explain the definition and treatment of Business as Usual costs.

6.2. We are working closely with the Office of the Third Sector to monitor these assumptions and will manage any resultant risks.

7. AB Savings in the Plan

Source of Reduction/New Burden	Savings and New Burdens by 2010	%age Savings against Baseline
Measures Already in Place	£1.51m	3%
Planned Measures (Generally Relating to the 2006 Act)	£2.46m	5%
Proposals to be Explored During Threshold Review (See Note (ii))	£7.9m	16%
Guidance to Reduce External Costs of AR Preparation (See Note (ii))	£3.95m	8%
Total Savings in Plan (See Note (ii))	£14.3 million	29%
Impact of Registration for Some Currently Excepted/Exempted Charities	(-£5.5m)	(11%)
Total Net Savings	£8.8 million	17.8%

Notes:

(i) Where Annex 2 shows a range the above table uses the mid point.

(ii) There are overlaps between these measures and the figures relating to Trustees' Annual Report and Annual Return preparation from the provisions of the 2006 Act and on-line services. For example, the planned measures include potential savings in TAR preparation from the 2006 Act provision that will increase the registration threshold. They would also be realised by the threshold review proposal to introduce a TAR preparation threshold. To avoid double counting the total has been adjusted to take account of such overlaps. This means the columns do not add up to the Totals in the bottom row.

7.1. More details of the impact of these changes are included in Annex 2 below, the Detailed Simplification Table.

8. Measuring Administrative Burdens (AB)

8.1. The Charity Commission took part in a cross-government initiative, co-ordinated by the Cabinet Office, to establish a baseline cost for the administrative burden on businesses and charities as a result of government regulations and set a target for its reduction by March 2010. This found the May 2005 baseline cost of regulations allocated to the Commission was £49.4 million. More details of the findings for the Commission can be found in the supporting papers which will be posted on our website at www.charitycommission.gov.uk and further information about the project as a whole is at www.cabinetoffice.gov.uk/regulation.

8.2. There were three stages to measuring Administrative Burdens for the Charity Commission:

- An initial measurement to establish an indicative cost of regulations allocated to the Commission.
- The removal of Business as Usual (BaU) costs – these are costs for activities that charities would do anyway, even if the legal requirement was removed.
- In the Commission's case a third step was taken – a technical re-measurement to correct a significant anomaly.

8.3. More detail of the Commission measurement can be found in the supporting papers.

8.4. We would also emphasise that, for the charitable sector, the AB costs in our Plan do not consist purely of actual expenditure by charities. In many charities the activities measured by AB are carried out by volunteers. Where this is the case AB includes a financial value for voluntary work.

8.5. The Commission is committed to a target of reducing the net cost of regulation by 25% by March 2010, so this will take account of the cost of any new regulation introduced after May 2005.

8.6. A 25% reduction in the baseline would save charities £12.35 million a year in Administrative Burdens leaving a total annual cost of £37.05 million in March 2010.

9. Planned Additional Costs

9.1. To achieve a net reduction of 25% the Commission also has to take account of all additional costs, which are likely to arise during the life of the Plan. At the moment the only significant addition in the pipeline arises from the provision in the 2006 Act that will require many currently exempt and excepted charities to register with the Commission and so also prepare Trustees' Annual Reports and make an Annual Return to the Commission. These provisions will not be implemented before 2008.

9.2. As explained in Annex 3 below these preparation costs could add a total of £5.1 million by no earlier than 2015. For ease of reference this Plan uses the total figure as being realised by March 2010.

9.3. There will also be one-off registration costs. For 2009/2010 they will add a further £400,000 for a total additional cost of £5.5 million in 2009/10.

10. Recent Consultations on Charity Law and Regulation

10.1. The last few years have seen a number of public consultations with charities, the public and other key stakeholders on the way forward for charity law and the Commission.

10.2. The 2006 Act has emerged from this extensive consultation, which included:

- The 2002 Strategy Unit Report *Private Action, Public Benefit*. In preparing its report the Strategy Unit gathered information in a variety of ways including meetings with representative bodies, regional and national consultation events and a number of papers were published on individual topics including options for reforming charitable status and the creation of the charitable incorporated organisation.
- Publishing the report, *Private Action, Public Benefit*, as a consultation paper.
- The Government, informed by the results of the above, publishing a Draft Charities Bill for pre-legislative scrutiny by a Joint Committee of the Houses of Parliament. The Draft Bill offered a further opportunity for interested parties to comment by making submissions to the Committee.

10.3. The Charity Commission has also consulted its stakeholders on the way it should work in the future and continues to take account of the wider debate on the role of regulators.

10.4. Hundreds of stakeholders have contributed to the debate about the future of charity regulation by these methods. They include:

- Many charities and representative bodies such as RNID, NSPCC, NCVO, Oxfam and the Churches' Main Committee.

- Accountancy and legal bodies with interest in charities such as the Charity Law Association, the Law Society, the Association of Charity Independent Examiners, CIPFA and the Charity Finance Directors Group.
- Other interested bodies such as the Federation of Small Businesses and the Independent Schools Council.
- Members of the public.

11. The Commission and the Cabinet Office

11.1. The Commission is a non-ministerial department and the Cabinet Office is responsible for charity related primary legislation and almost all secondary legislation. For the purposes of the Administrative Burdens measurement many legal requirements were allocated to the Commission as the Department responsible for their enforcement. The Commission's Plan therefore covers a range of provisions of the 2006 Act that are intended to make things easier for charities and their trustees. With the exception of some secondary legislation the Commission cannot make legislative changes itself but will continue to work with the Cabinet Office and submit simplification and reduction proposals for secondary legislation.

12. Public Benefit Checks

12.1. The 2006 Act contains new public benefit provisions that will require charities to demonstrate that they benefit the public. This will change the burden on charities. We will, however, seek to use existing reporting frameworks, such as charities' annual returns, to collect this information.

13. What is the Commission Already Doing to Lighten the Regulatory Burden?

13.1. We have already taken a number of measures designed to make things easier for charities. They include:

- The introduction of a range of online services to provide charities with an easier and more convenient way of submitting their accounts and annual returns and of changing their register details.
- The revision of information requirements in the latest Annual Return to reduce the burden on around 56,000 charities.
- Our continuing work on improving the clarity of our guidance to charities, paying particular attention to clearly distinguishing between legal requirements and best practice. The Better Regulation Task Force's Report *Better Regulation for Civil Society* acknowledged good work on this in some areas but recommended we do more.

Section 4 of Annex 2 below contains various targets we have set ourselves for revising our publications. We will measure customer satisfaction and use the results to inform our reviews of publications.

13.2. More generally we have looked at how best to improve our performance via a fundamental Strategic Review of the way we work. This has led to a restructuring of the Commission to better focus on the needs of charities, trustees, the public and other stakeholders and help charities to deliver by providing a service to them of greater consistency and clarity. As a result we have:

- Increased the site based specialism of our work. For example, our Taunton office now handles all registration cases. This enables us to address two concerns that are often raised by customers by reducing inconsistencies across the Commission and improving continuity of case handling. We are developing training programmes to increase the skills of staff in key areas
- Introduced a new service – Charity Commission Direct – as a single point of contact and work distribution so we can provide an efficient, friendly and accessible source of information and advice to all customers. Further information about Charity Commission Direct can be found at: www.charitycommission.gov.uk.

13.3. We also work with other regulators to produce consistency of policy, process and guidance to make it easier for charities and other stakeholders to access a single, clear explanation of closely connected regulatory frameworks. Recent examples of this are:

- A Memorandum of Understanding (MoU) with the Office of the Scottish Charity Regulator (OSCR). A number of charities in England and Wales with significant operations in Scotland will also be subject to registration with, and regulation by, OSCR. Following the signing of the MoU the Commission and OSCR issued joint guidance on new Scottish legislation for English and Welsh charities that operate in Scotland. The MoU also confirms how we will work together on cases where appropriate.
- An MoU with the regulator of Community Interest Companies (CIC). CICs are a new form of company for businesses with a social purpose. They cannot be charities but there is potential for charitable companies to convert to CICs and for CICs to convert to charities. The MoU outlines the ways in which we can exchange information and ensure consistent policy development. It will also assist organisations of each type by ensuring that there is a seamless approach for those wishing to convert from one form to the other.
- The first meeting of the UK and Republic of Ireland Charity Regulators' Committee in October 2006. This fulfilled one of the final recommendations for the Commission from *Private Action, Public Benefit*, the Government review that led to the 2006 Act. We agreed to create a new umbrella committee "to ensure a consistent regulatory approach UK wide and to share information and best practice"

14. What is Happening in the Future to Reduce Burdens?

14.1. There are further measures in the pipeline, including:

- The largely deregulatory provisions of the 2006 Act. They will give trustees greater freedom to act in a number of areas without formal authority from the Commission and raise some financial thresholds to ease the burden on smaller charities. Further details are in section 2 of Annex 2 below.
- Reviewing financial thresholds in 2007, working with colleagues from the Office of the Third Sector. One of the main drivers of this review will be the simplification/ reduction agenda and it will be an opportunity to identify and consult on options in this area. This plan includes some key options for change and indicates their impact against the Commission's baseline. The review will not be limited to these options and other proposals may well emerge before or as a result of consultation.
- Continuing the review and development of our risk based and proportionate approach to regulation to identify further measures such as the reduction in Annual Return requirements mentioned above.
- The planned extension of online services to enable charities to register online.
- Implementing key recommendations within the Better Regulation Task Force's report *Better Regulation for Civil Society* including:
 - i. Distinguishing between legal advice and good practice in individual correspondence, as described at paragraph 13.1 above.
 - ii. Supporting the idea that the Summary Information Return (SIR) should be reviewed and aiming to do so in 2007.
 - iii. Producing guidance on clarifying the regulation of charitable trading, while recognising that HM Revenue and Customs would need to take forward any recommendation to reform charitable trading.
 - iv. Working with the Association of Charitable Foundations to produce guidance designed for endowed charities.

14.2. More generally we are working towards more proportionate regulation and will:

- Develop a more sophisticated risk analysis process to deliver more proportionate regulation. Our refined approach to Risk and Regulation will be published for consultation in early 2007.
- Review our approach to both information gathering and accounts monitoring, consulting on the results in 2007. Specific proposals for change that emerge from the review will be added to the Simplification Plan.
- Develop policies and practice around the theme of better regulation. This will focus on trying to minimise the regulatory burden for charities and their trustees wherever possible. For example, we will revise and streamline the processes for registration and scheme making. As these measures are developed and the benefits quantified the details will be added to the Plan.

- Continue to support self-regulatory initiatives such as the scheme for self regulation in fundraising.
- Proactively look for opportunities to endorse other sector initiatives such as the Code of Good Governance for the Voluntary and Community Sector, 2005.

14.3. The Commission also made a number of legislative proposals that were not included in the 2006 Act. They have been passed to the Cabinet Office and will be considered for action via the Better Regulation process after the implementation of the 2006 Act and the conduct of the threshold review mentioned above. For ease of reference these have been included as Annex 4 to this plan.

15. Links to the Hampton Review

15.1. In March 2005, Philip Hampton published his report *Reducing Administrative Burdens: Effective Inspection and Enforcement*. He made 35 recommendations to Government and Regulators, designed to streamline and modernise the regulatory system to deliver reduced administrative burdens. Government accepted these recommendations, and we are implementing those addressed to us.

15.2 In particular, we will:

- Use risk assessments to inform the allocation of our resources
- Continue work on the clarity and certainty of our guidance, making it easily accessible on our web-site
- Review our approach to monitoring
- Liaise with other regulators to reduce duplication of information
- Routinely use external reference groups when developing new policies and procedures

16. Next Steps

16.1. We are committed to continuing to explore ways of reducing the impact of our regulatory burden on charities and of simplifying the regulation of charities. We will continue to review the costs, not only of new measures but also of the impact of those already in place. We want to ensure that any stated reductions are a result of real change that will be noticed by charities and other stakeholders.

16.2. We will therefore continue to update this Plan not only to include new proposals but also to validate the baseline costs and assumptions. In particular we will be reviewing a range of reduction measures as part of the review of financial thresholds that will happen in 2007.

16.3. We would also ask for your help in our efforts to improve our regulatory approach. If you have an idea that will help please send it to us at <http://www.betterregulation.gov.uk/>

Annex 1 Highest Cost Regulations and Summary of Measures to Reduce them

The Table below shows the 5 main activities that represent almost 92% of the cost of the regulations making up the Commission's baseline of £49.4million and outlines reduction measures. For more details of these measures see Annex 2.

Obligation and Total Cost indicated by AB	Simplification Action
<p>Trustees' Annual Report</p> <p>£14.8 million (30% of baseline)</p>	<p>The change to the general registration threshold (see below) will mean that 1 – 2,000 charities per year will not have to register and that 38,000 currently registered charities do not need to stay on the register. The potential saving on TAR preparation is £1.4 - £1.7 million.</p> <p>Thresholds will be reviewed in 2007. The introduction of a preparation threshold of £10,000 would make further savings of £3.3m million a year.</p>
<p>Annual Return</p> <p>£14.56 million (29%)</p>	<p>Changes already made to the 2005 requirements will save charities c£2 million including a £1.1 million reduction in baseline.</p> <p>General contents of Annual Return are reviewed annually.</p> <p>The SIR will be reviewed in 2007.</p> <p>Thresholds will be reviewed in 2007. An increase in AR threshold from £10,000 to £25,000 would make further savings of £3.4 million a year.</p> <p>For the moment all of the Annual Return savings assume that the Annual Return process remains broadly the same until March 2010. It should be noted, however, that we are currently developing more radical changes to the process to make it far easier for charities to comply. We expect these changes will produce increased savings and the Plan will be updated as our plans for the Return take shape.</p>

<p>Accounts Preparation</p> <p>£8.71 million (17.5%)</p>	<p>Thresholds will be reviewed in 2007.</p>
<p>Independent Examination and Audit of Accounts</p> <p>£5.52 (11%)</p>	<p>The 2006 Act will raise the audit threshold reducing audit costs for over 8,000 charities and saving c£355,000 a year.</p> <p>Thresholds will be reviewed in 2007. An increase in the Independent Examination threshold from £10,000 to £25,000 would make further savings of £1.2 million a year.</p>
<p>Registration</p> <p>£2.15 million (4.4%).</p>	<p>The 2006 Act will simplify the general registration threshold, introducing a higher, income only, threshold. This will save £340k - £675k a year.</p> <p>The general threshold will be reviewed in 2007.</p>

Annex 2 Detailed Simplification Table

The Colour Coding indicates **measures that are already in place** and **measures that have not yet been introduced**

Issue	Source of Change	Action and Who Will Benefit	Estimated Cost Savings: For Savings Year by Year See Annex 5	Milestones/Deadlines for Delivery
1. Legislative Action Prior to Publication Of Plan				
1(i) Annual Returns	Change of Regulations by Charity Commission	The Commission is responsible for the Annual Return regulations. The Return will be covered by a general review of our approach to information gathering. This will look at the impact on all charities that must complete the return with a particular focus on the burden it places on small charities.	<p>The last review of the Annual Return made a change that reduced the burden on 56,000 charities with income between £10,000 and £250,000 by no longer requiring them to complete a section of the Return.</p> <p>AB indicates that this change produced Admin Burden savings of around £2 million. £1.1 million of this is a reduction in the Commission baseline (the balance was saved before May 2005).</p>	Specific saving for charities as they complete the AR 2005 process

Issue	Source of Change	Action and Who Will Benefit	Estimated Cost Savings: For Savings Year by Year See Annex 5	Milestones/Deadlines for Delivery
			<p>This is based on the reduction in time required to complete the AR as indicated by AB</p> <p>While it is possible that a very small number of charities will not move to the new requirements until 2007, the Plan assumes that the saving will be fully realised by the end of 2006. It has not therefore been included in Annex 5</p>	
<p>2. Provisions of the 2006 Act</p>	<p>Primary Legislation. Cabinet Office in lead supported by Charity Commission</p>	<p>The 2006 Act contains a range of measures to modernise the charity law framework. The proposals are deregulatory overall, particularly for small charities. The 2006 Act extends to England and Wales and has been widely supported by charities.</p> <p>Some of the changes – particularly at 2(iv) below – will be of great help to individual charities but make little difference to the overall burden as they are likely to be used by relatively few per year.</p>	<p>A Regulatory Impact Assessment of the Charities Bill was published in May 2005.</p> <p>(Individual cost savings are detailed below against specific measures)</p>	<p>The Charities Bill received Royal Assent in November 2006.</p> <p>The Charities Act 2006 will be implemented in stages beginning in early 2007.</p> <p>Full Implementation is expected within two to</p>

Issue	Source of Change	Action and Who Will Benefit	Estimated Cost Savings: For Savings Year by Year See Annex 5	Milestones/Deadlines for Delivery
				three years. The Implementation Plan can be read at: www.cabinetoffice.gov.uk/third_sector/documents/charity_reform/implementation_plan.pdf
2.(i) Changes to Registration Requirements		<p>The general registration threshold will be both simplified and raised. At the moment there are three criteria. Two will be dropped (the possession of permanent endowment and the use or occupation of land) leaving only an income based criterion. This will be raised from the current £1,000 annual income to £5,000.</p> <p>This will remove the obligation to register from:</p> <ul style="list-style-type: none"> • c38,000 currently registered charities • c1 - 2,000 new charities per year that would otherwise have to register. • If they do not register then other obligations that flow from registration would not apply: <ul style="list-style-type: none"> i. to prepare an annual report under the Accounting regulations 	<p>1 (a) Registration: 1 – 2,000 charities annually will not have to register. On the assumption that they do not choose to do so voluntarily, this will make Admin Burden savings of around £340,000 – £675,000 a year from 2007.</p> <p>(b) 38,000 currently registered could leave the register and no longer have to prepare a Trustees Annual Report (TAR).</p> <p>This will also apply to the 1-2,000 charities in (a) above</p>	Changes to the general Registration threshold will be implemented in early 2007

Issue	Source of Change	Action and Who Will Benefit	Estimated Cost Savings: For Savings Year by Year See Annex 5	Milestones/Deadlines for Delivery
		<p>ii. to tell us about changes to their details or if they cease to exist.</p>	<p>This would benefit 38,000 charities in the first year rising to 40 – 44,000 charities by 2010. It would reduce the compulsory annual Admin Burden costs of registration by £1.7 – 2 million in the first year and by £1.7 - £2.2 million by March 2010.</p> <p>This is based on the average AB cost of preparing a TAR for charities with income below £100,000 plus the annual saving from (a) above.</p> <p>We know from recent consultations that small charities value their registration and may remain on the register or register voluntarily.</p> <p>We will review the impact of the threshold change and the extent to which</p>	

Issue	Source of Change	Action and Who Will Benefit	Estimated Cost Savings: For Savings Year by Year See Annex 5	Milestones/Deadlines for Delivery
			the costs of voluntary registration are Business as Usual costs and update the Plan accordingly.	
2 (ii) Charity Accounts Examination		<p>The 2006 Act will raise the audit threshold for both unincorporated charities and charitable companies. For example, the audit threshold in the Charities Act will be raised from £250,000 to £500,000.</p> <p>The changes will reduce the costs of charities now between the current threshold and the new.</p>	<p>This example would remove c 8,170 charities from the need to prepare audited accounts.</p> <p>This would save a total of £230,000 a year from 2008/9 for c5, 320 unincorporated charities.</p> <p>On the assumption that the saving will be similar for c2,850 incorporated charities, they will be saved around £125,000 a year from 2008/9.</p> <p>The above charities would have to have their accounts Independently Examined rather than</p>	The changes will be implemented in early 2007

Issue	Source of Change	Action and Who Will Benefit	Estimated Cost Savings: For Savings Year by Year See Annex 5	Milestones/Deadlines for Delivery
			<p>audited. The savings are therefore based on the difference in cost between these methods of accounts examination.</p> <p>A total Admin Burden saving of £355,000 a year from 2008/9.</p>	
<p>2 (iii) Changes to help small charities and trustees</p>		<p>The 2006 Act contains a number of provisions to deregulate and simplify the restrictions on action in a range of areas. Examples are:</p> <ul style="list-style-type: none"> • changes to the application of cy-pres, • streamlining trustee indemnity insurance and trustee payments for the provision of services, • a simplified process for spending small amounts of capital • measures to facilitate mergers and ease the process when charities combine 	<p>In practice these provisions are likely to be used by a relatively small proportion of charities annually.</p> <p>AB figures are not directly comparable with all of these measures but we estimate they will save around £100,000 annually.</p> <p>The greater ease of the revised provisions is likely to increase their use. A 15% annual rise would mean Admin Burden savings of around £170,000 in</p>	<p>These first of these changes will be implemented in early 2007.</p>

Issue	Source of Change	Action and Who Will Benefit	Estimated Cost Savings: For Savings Year by Year See Annex 5	Milestones/Deadlines for Delivery
			<p>2009/10.</p> <p>We will look to produce more robust figures by analysis of work streams after implementation.</p>	
<p>2 (iv) Charity Tribunal</p>		<p>A new Tribunal to provide charities with cheaper and easier way to challenge the Commission's legal decisions</p> <p>It will benefit all charities that feel they have grounds to challenge such decisions.</p> <p>At the moment there are very few legal challenges. The great expense of court action means it is a realistic option in only a very few cases. The Tribunal is designed to allow charities that could not realistically consider the expense of court action to challenge the Commission's decisions.</p>	<p>The shortage of cases under the current system means we cannot produce a meaningful average cost. The Bill RIA says there are only 2 recent cases. One of those cases is said to have cost the charity £200,000.</p> <p>The Tribunal has been widely welcomed by stakeholders and is intended to radically alter the way that our decisions can be challenged. This should drastically reduce the costs of challenging a decision. For example, a charity should be able to</p>	<p>The Tribunal will be established in early 2008.</p>

Issue	Source of Change	Action and Who Will Benefit	Estimated Cost Savings: For Savings Year by Year See Annex 5	Milestones/Deadlines for Delivery
			<p>do so without legal representation.</p> <p>It would be possible therefore to estimate how much the above case would cost if pursued via the Tribunal. But this would not produce a meaningful measure of the benefits of the proposal.</p> <p>The main benefit will be to enable far more appeals rather than simply cutting the cost of appeals that would have been made even without the Tribunal.</p> <p>The operation of the Tribunal will be monitored after implementation to ensure that it meets the aim of offering an inexpensive and accessible route to legally challenging the Commission's legal</p>	

Issue	Source of Change	Action and Who Will Benefit	Estimated Cost Savings: For Savings Year by Year See Annex 5	Milestones/Deadlines for Delivery
			decisions.	
3. Enhancement and Redesign of online services	Initiative by Charity Commission	<p>This covers a range of initiatives that will benefit varying numbers of charities and stakeholders.</p> <p>Cost savings have been estimated where possible but online services will bring other benefits.</p> <p>They will be more convenient, with charities not only being able to access services at a time that suits them but also with quicker results (for example, the register will be updated within one working day to reflect changes input by charities).</p> <p>It will benefit other stakeholders including potential donors and the general public by making up to date information accessible more quickly via the Commission website.</p>	<p>Cost savings are based on the following assumptions:</p> <p>(i) Services will be taken up by 15% of relevant charities in the first year of operation.</p> <p>(ii) Take up will increase by a further 4.5% annually after that.</p> <p>(iii) For registration, register changes and Annual Returns they will reduce charities preparation time and cost by 10%</p> <p>We will test these assumptions over 2006/8</p>	See individual elements below
3(i)		On-line application for registration will provide a	Will benefit 675 charities	On line application for

Issue	Source of Change	Action and Who Will Benefit	Estimated Cost Savings: For Savings Year by Year See Annex 5	Milestones/Deadlines for Delivery
Registration		quicker, more efficient and more convenient process for most charities registering with the Commission.	<p>in first year with a total saving of £23,000</p> <p>Rising to 1,030 charities and an Admin Burden saving of £35,000 in 2009/10</p> <p>This is based on each saving £33.70 - 10% of the AB cost of registration</p>	registration will be introduced in 2006/2007
3(ii) Register Update		Registered charities are obliged to tell the Commission of changes to its details on the register. This allows a charity to update its details on line, without the need to write to us.	<p>Will benefit c450 charities, saving around £2,000 in first year rising to 855 charities being saved £3,850 in Admin Burdens in 2009/10.</p> <p>This is based on each saving £4.50 – 10% of the AB cost.</p>	<p>Rolled out to charities in stages during 2005/6.</p> <p>Available to all May 2006</p>
3(iii) Annual Return Preparation		Registered charities above a threshold have to make an Annual Return to the Commission. Charities are now reminded that the Return is due and offered a quicker and more convenient online	Applying the above take up rates and reduction in preparation time this will save 10,800 charities	<p>Rolled out to charities in stages during 2005/6.</p> <p>Available to all May 2006</p>

Issue	Source of Change	Action and Who Will Benefit	Estimated Cost Savings: For Savings Year by Year See Annex 5	Milestones/Deadlines for Delivery
		option for sending the Return to the Commission.	<p>£200,000 in 2006/7 rising to 20,520 charities saving £380k in Admin Burdens in 2009/2010.</p> <p>This is based on each saving £18.50 – 10% of the Average cost of preparing the Annual Return.</p>	
3(iv) Accounts and Reports Submission		<p>As part of the above development charities can also submit their accounts and Annual Report on line along with the Annual Return.</p> <p>By enabling accounts to be publicly available more quickly this should also benefit stakeholders and improve charities' accountability</p>	<p>This will not affect preparation but using the same take up levels as above and assuming a £2.50 saving per charity for small reduction in time and cost of submission this will save around £27,000 in the first year rising to an Admin Burden saving of £51,000 in 2009/10</p> <p>This applies to the same number of charities as 3(iii) above</p>	<p>Rolled out to charities in stages during 2005/6.</p> <p>Available to all May 2006</p>
3 (v) Improved		The Commission's website is extensively used. In	These measures are	Will be taken forward

Issue	Source of Change	Action and Who Will Benefit	Estimated Cost Savings: For Savings Year by Year See Annex 5	Milestones/Deadlines for Delivery
Website and Free Subscription Services		<p>2005/6 it received 29 million hits. This was a 40% increase from 2004/5.</p> <p>It is likely that implementation of the 2006 Act will increase demand for guidance.</p> <p>(i) Improved site design and signposting will make our extensive guidance more accessible to charities and other stakeholders</p> <p>(ii) Subscription services will be available to trustees and other stakeholders who:</p> <ul style="list-style-type: none"> • Want to be kept up to date when we add new material relevant to them to our website, and • Request email updates on new sector relevant issues 	<p>designed to make it easier for charities and other stakeholders to obtain guidance and information.</p> <p>This should better enable stakeholders to become or remain fully informed about the charity law framework as continues to develop.</p> <p>Improved signposting should also make it easier for charities to receive appropriate advice on matters not dealt with by the Commission.</p> <p>This should both improve compliance with the legal framework and enable charities to reach better informed decisions.</p> <p>At this stage we do not believe we can make meaningful estimates of</p>	<p>during 2006/7 as detailed in the Commission's Corporate Plan</p>

Issue	Source of Change	Action and Who Will Benefit	Estimated Cost Savings: For Savings Year by Year See Annex 5	Milestones/Deadlines for Delivery
			the financial benefits but will assess the impact of the changes via analysis of future work streams.	
4. Non – Legislative Measures	Charity Commission Initiatives			
4 (i) Improved Guidance (General)	Also taking account of BRTF Report	Improving the clarity and quality of our guidance will make it easier for charities to understand the legal framework - including the changes in the 2006 Act - and principles of best practice.	<p>At this time, we do not believe it is possible to make meaningful estimates of the financial benefits of this programme of improvement.</p> <p>But we will assess the impact of our guidance by analysis of future work streams.</p>	<p>This will be an ongoing process during 2006 – 2008 and beyond.</p> <p>We shall update all Charity Commission publications affected by the 2006 Act in time for the implementation of the relevant provisions.</p> <p>We shall review and redesign all other key publications by the end of March 2007.</p> <p>We shall update all internal operational guidance to similar</p>

Issue	Source of Change	Action and Who Will Benefit	Estimated Cost Savings: For Savings Year by Year See Annex 5	Milestones/Deadlines for Delivery
				<p>targets.</p> <p>More generally we shall also review all publications every three years.</p>
<p>4(ii) Improved Guidance: Annual Returns</p>	<p>Commission Guidance</p>	<p>The AB measurement of the costs of preparing the Annual Return indicates that 58,500 charities with income between £10k and £250k spend an average of £138 on external help. The AR is intended to be a straightforward document for charities to complete and, while there may be the odd exception, we do not think that external help is necessary.</p> <p>We believe, therefore, improved and better focused guidance can reduce the external cost element by 25% annually from 2007/8 to reach 75% by March 2010.</p>	<p>A 75% reduction in external costs together with the assumption that for every £3 saved a charity would increase its internal costs by £1, would save 58,500 charities a total of £3.95 million a year in Admin Burden costs.</p>	<p>Saving to be fully realised by March 2010</p>
<p>5. Commission Review of Secondary</p>	<p>Charity commission Regulations</p>	<p>The Commission is responsible for making the regulations covering the contents of the Annual Return that has to be completed by registered charities over a £10,000 threshold</p>		

Issue	Source of Change	Action and Who Will Benefit	Estimated Cost Savings: For Savings Year by Year See Annex 5	Milestones/Deadlines for Delivery
Legislation				
5(i) Annual Return Reviews	Also taking account of BRTF report	<p>(i) The Commission regularly reviews the contents of the Annual Return</p> <p>(ii) We have committed to a specific review of the Summary Information Return that is completed by registered charities with income over £1 million.</p> <p>(iii) We are also carrying out a comprehensive review of the AR. This is looking beyond the content of the AR to consider radical changes to the completion and submission process to make it simpler and more user friendly.</p>	<p>The previous review produced total savings for charities of £2 million as outlined at 1(i) above.</p> <p>Further Specific proposals for change will be published and costed as part of the next reviews.</p>	<p>We will review the Annual Return in 2006.</p> <p>We are committed to reviewing the Summary Information Return in 2007</p>
6. Review of Thresholds	Cabinet Office and Charity Commission led Review	<p>The Government is committed to conducting a review of the financial thresholds in the Charities Act in 2007. The Commission will work on this review with colleagues from the Office of the Third Sector.</p> <p>The Review will look at all thresholds and explore options for change. Proposals will be subject to wide consultation before implementation.</p> <p>As the review will be driven by a modern approach</p>	<p>The estimated savings for each of the following examples in the options are show below.</p> <p>Given the uncertainty over the timetable these proposals are not included in Annex 5.</p>	<p>The Review will be conducted in 2007</p> <p>Implementation of proposals will be subject to consultation and, where necessary, legislative time.</p> <p>In the light of the government's</p>

Issue	Source of Change	Action and Who Will Benefit	Estimated Cost Savings: For Savings Year by Year See Annex 5	Milestones/Deadlines for Delivery
		<p>to risk based regulation and proportionality it will generally be smaller charities that will benefit as options for increasing thresholds are considered.</p> <p>Further proposals are likely to emerge as the review progresses but we think the following proposals could have a significant impact.</p>		<p>commitment to the review and the reduction agenda the plan assumes that the results of the review are implemented in time to realise the full savings by March 2010.</p>
6(i) Trustees Annual Report (TAR)	See above	All registered charities have to prepare TARs but only those over a £10,000 threshold have routinely to submit them to the Commission. This could be changed so that charities below the £10,000 threshold did not have to prepare a TAR,	<p>This example would ease the burden on c95, 000 charities and make Admin Burden savings of £3.3 million a year.</p> <p>(NB This figure potentially overlaps with the consequences of the 2006 Act's increase in the registration threshold. Figures for overall reductions take account of this).</p>	Subject to timetable of review but assumed to be implemented by March 2010.
6(ii) Making an Annual Return to the Commission	As above	Registered charities over a £10,000 threshold must submit an Annual Return to the Commission. The threshold could be increased to, say, £25,000	This would ease the burden on 22,500 charities, and make Admin Burden savings of £3.4 million a year.	As above

Issue	Source of Change	Action and Who Will Benefit	Estimated Cost Savings: For Savings Year by Year See Annex 5	Milestones/Deadlines for Delivery
6(iii) Threshold for Independent Examination	As above	Charities above a £10,000 threshold must have their accounts externally examined. As above this could be raised to, say, £25,000	This would ease the burden on 37,350 charities (it has a wider effect than the similar rise at 5(ii) because this also applies to excepted charities), and make Admin Burden savings of £1.2 million a year.	As above
6(iv)	As above	<p>The review will not be limited to the above and will explore changes in other areas including the thresholds for general registration and audit.</p> <p>It will also consider the impact of greater increases than those outlined above.</p> <p>The Plan will be updated as more proposals are identified and costed.</p>	Subject to new proposals	As above.

Annex 3 Detailed Additional Costs Table

Initiative	Action and Who is Affected	Estimated Cost	Timetable for Introduction
<p>2006 Act provisions to ensure that currently excepted and exempt charities are subject to modern standards of accountability and transparency.</p>	<p>The key effects will be:</p> <p>1. Currently excepted charities will have to register if their income is over £100,000.</p> <p>We estimate that 4 - 5,000 such charities will have to register with the Commission.</p> <p>2. Currently exempt charities that are not otherwise regulated from a charity law perspective will have to register if their income is over £100,000.</p> <p>We estimate that around 7,700 charities may have to register.</p> <p>The largest group within this is the c7,200 governing bodies of Foundation and Voluntary schools (FVS). It is understood that the nature of their funding means that they would not all be registrable on the day the new provisions are implemented. Rather each of them is likely to cross the threshold in one of the first 6 years after implementation.</p> <p>3. As a consequence of registration all of the above charities would have to prepare a TAR and make an Annual Report (AR) to the Commission.</p>	<p>1. Registration. AB average cost for registration indicates a one-off additional cost of c£4.2 million for registration.</p> <p>Actual costs may be reduced due to the benefits of dealing with groups of similar charities. For example, an issue common to a group of separate charities may be dealt with via an umbrella body rather than contact with each of those charities.</p> <p>Due to the position of FVS this cost will be spread over the first 6 years after implementation from 2008 to 2014.</p> <p>It is likely that the additional Admin Burden cost to charities in 2009/2010 will be £404,000.</p> <p>2. TAR and AR preparation. Both will be an annual requirement.</p> <p>This will bring an additional total Admin Burden cost of £5.1 million. As reporting requirements</p>	<p>The changes will not be implemented before 2008.</p> <p>If implemented on that date the charities will cross the new registration threshold by 2014</p>

		<p>will generally follow one year after registration this will be fully realised no earlier than 2014/15 but for ease of reference we have treated it all as an addition to our 2009/10 baseline. This also assumes that:</p> <p>(ii) All FVS remain on the register even in years when they are below the £100k threshold</p> <p>(iii) Our guidance on AR preparation will have reduced external costs as explained at 4(ii) above.</p> <p>3. On the basis of the assumptions described above, this will mean an additional Admin Burden of £5.5 for charities in 2009/10.</p> <p>This represents the one off registration costs for 2009/10 plus a recurring annual cost of £5.1 million.</p> <p>We will keep the actual costs under review.</p>	
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Annex 4 Charity Commission Regulatory Reform proposals with Cabinet Office for Consideration

<p>A number of legislative proposals made by the Commission were not included in the 2006 Act but will be considered for action by the Cabinet Office via the Better Regulation process. The following will simplify the current regime:</p> <ul style="list-style-type: none">• To introduce defence of mens rea in respect of two offences in the Charities Act 1993• To allow easier disposal of land with low value• To widen sources of acceptable advice re charity land dispositions• To allow transfer of land below best price without Commission consent if it furthers objects• To allow delegation of consideration re ex gratia payments before application to Commission• To allow executors to make small payments to appropriate charity, with Commission consent, where named institution does not exist• To allow small ex gratia payments without Commission authority	<p>No detailed cost analysis or RIA has been prepared at this stage.</p> <p>There would be savings for charities making use of the measures.</p>	<p>The Cabinet Office will consider implementation via Regulatory Reform Order after the implementation of the 2006 Act and the promised review of thresholds.</p>
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Annex 5 Savings/Additions Timetable

NB: Where a Range is given in the Simplification Table these Tables use the Mid Point

	Average Change	2005/6	2006/7	2007/8	2008/9	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
1. Savings from 2006 Act											
<u>(i) Change in Registration Threshold</u>											
(a) 1,500 charities	£337			1,500	1,500	1,500					
Total Reduction				£505.5k	£505.5k	£505.5k					
(b) No TAR below £5k											
38000+ charities	£34.45			38000	39,500	41,000					
Total Reduction				£1.31m	£1.36m	£1.42m					
<u>(ii). Increased Audit Threshold</u>											
8170 charities	£43.45				8,170	8,170					
Total Reduction					£355k	£355k					
<u>(iii) Various Small Charities Savings</u>											
Estimated Savings				£100k	£130k	£170k					

	Average Change	2005/6	2006/7	2007/8	2008/9	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
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**2. Savings from On Line Services:
Assumes 15% uptake up in first year then 4.5 % annually**

(i) Registration

4,500 over £5k	£33.7			675	807	1,029					
Total Reduction				£23k	£27k	£35k					

(ii) Register Update

3,000 Charities	£4.5		450	585	720	855					
Total Reduction			£2k	£2.6k	£3.25k	£3.85k					

(iii) AR Submission

72,000 charities.	£18.5		10,800	14,040	17,280	20,520					
Total Reduction			£200k	£260k	£320k	£380k					

(iv) A/Cs and TAR submission

72,000 Charities	£2.5		10,800	14,040	17,280	20,520					
Total Reduction			£27k	£35.1k	£43.2k	£51.3k					

Average Change	2005/6	2006/7	2007/8	2008/9	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
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3. Additional Costs for Excepted/Exempt if Changes Made October 2007

(i) Registration

12,550 charities	£337			6,550	1,200	1,200	1,200	1,200	1,200	
Total Additional One Off Cost				£2.2m	£404k	£404k	£404k	£404k	£404k	

(ii) Preparation of TAR

12,550 charities	Varies by Income				6,550	7,750	8,950	10,150	11,350	12,550
Total Additional Recurring Cost					£2.74m	£2.78m	£2.83m	£2.87m	£2.92m	£3m

(iii) Preparation of AR

12,550 charities	Varies by Income				6,550	7,750	8,950	10,150	11,350	12,550
Total Additional Recurring Cost					£1.52m	£1.58m	£1.70m	£1.82m	£1.94m	£2.06m