

Charity Commission Simplification Plan 2008



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1. Executive summary

- 1.1. The Commission's Simplification Plan is part of a cross-government initiative and we believe it fits well with our strategic aims and regulatory approach. The Plan also describes our continuing effort to find the minimum amount of regulation that is consistent with the effective regulation of charities that is essential to the maintenance of public trust and confidence.
- 1.2. The 2008 Plan describes measures we have taken to improve the way we engage with our stakeholders and to simplify regulation, as well as outlining the modernising aspects of the Charities Act 2006, and the review of financial thresholds.
- 1.3. 2008 was another year of good progress, building on the achievements in our previous Plans. Details of a range of initiatives in 2008 are contained below, including:
 - the introduction of public benefit reporting in a proportionate way by adapting existing reporting mechanisms;
 - the launch of our redesigned register that has greatly improved access to information about registered charities and increased their transparency and accountability;
 - continued development and success of Charity Commission Direct;
 - maintenance of unexpectedly high initial take up of online services;
 - extensive public consultation on key issues;
 - continuing programme of publishing new and revised guidance; and
 - expanding our work with other regulators and partnership work.
- 1.4. This year's Plan also explains and reflects the wider impacts of two significant developments during the year.
- 1.5. First was the outcome of a consultation on financial thresholds published in December 2007. The consultation proposed specific changes and tested out stakeholders' views on how far the current framework should be deregulated. It therefore contained a bold programme for change and invited comments on taking an even more radical approach. While the overall response supported a number of deregulatory proposals it also saw a reassertion by charities and other stakeholders of the importance of charities' accountability and transparency.
- 1.6. In particular, two recommendations were rejected as many stakeholders felt strongly that the benefits of open reporting by small charities were greater than the costs of complying. More generally the responses showed there was little appetite for a more radical approach.
- 1.7. Second, we revisited the original measurement of the costs of preparing an Annual Return (AR). Previous Plans have mentioned our concerns about the accuracy of these figures. While it was clear that, on paper, they offered large potential savings that would have allowed us to achieve our 25% reduction target, we were concerned that such claims would lack credibility, when compared with stakeholders' actual experience. We therefore carried out a telephone survey of charities to produce a more robust evidence base and, as a result, have significantly reduced the figures for preparing the AR and our overall baseline.

- 1.8. In the wider context the new figures are clearly good news as they show that the burden of AR production is much less than previously indicated.
- 1.9. Both of these developments are described in greater detail below. Taken together they suggest that we are approaching core regulatory requirements needed to maintain public confidence. If so, further major changes might carry too great a risk of undermining the necessary degree of accountability and transparency for the charitable sector that is essential if public trust and confidence is to be maintained.

A 2007 survey of charities found that 84% said they thought the regulation of registered charities was 'just right.'¹

- 1.10. As a result of these changes, this year's Plan contains measures to achieve a 14% reduction in administrative burden. While the revised position will make it difficult to achieve a 25% reduction by 2010 we remain committed to reducing the burden on charities to the minimum consistent with effective regulation of charities.
- 1.11. For the future we will continue to look for new ways to improve the regulation of charities and the Plan remains a living document that will be updated as new ideas emerge. We will also use evidence we receive from charity stakeholders to validate the figures used in the Plan to make sure that the savings we claim have a real impact on charities in practice.
- 1.12. 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.

¹ The Baker Tilley Voluntary Sector Governance Survey 2007 was based on responses from over 600 voluntary sector organisations. This specific question was not addressed in their 2008 survey.

2. Introduction

- 2.1. The Charity Commission is established by law as the regulator and registrar of charities in England and Wales. We are fully committed to our aim of providing the best possible regulation of these charities in order to increase charities' efficiency and effectiveness and public confidence and trust in them.

The Commission sponsored 2008 Public Trust and Confidence Survey found that 98% of the public thought that the Commission's role as registrar and regulator of charities was 'important.'

- 2.2. As in 2006 and 2007 the Commission welcomes the opportunity to publish our 2008 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) which began its staged implementation in early 2007. The latest Implementation timetable for the 2006 Act can be read at:
http://www.cabinetoffice.gov.uk/third_sector/law_and_regulation/implementation.aspx
- 2.3. The 2008 Plan summarises the key developments in 2008 including steps we are taking to improve our engagement with stakeholders and simplify regulation for charities and, where possible, estimates the cost impact of individual measures.
- 2.4. All our new policies and procedures are Compact Compliant and accompanied by Impact Assessments where appropriate. 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, our consultation on financial thresholds not only made proposals for change but also invited stakeholders to offer further ideas.
- 2.5. We have received a number of specific proposals and ideas for 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, for example, the 2006 Act provisions for Public Charitable Collections and the creation of the Charitable Incorporated Organisation. Any savings arising from these proposals are included in the Cabinet Office's Simplification Plan and 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.

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.

Case Study

The changes covered by this Plan would benefit a Registered Charity with income between £10,000 and £25,000 in the following ways:

1. Cost of Annual Return preparation reduced as now need only complete part of form.
 2. Accounts examination costs reduced as no longer required to be subject to external scrutiny (Independent Examination or Audit).
 3. No longer need to routinely submit accounts and Trustees Annual Report to the Commission.
 4. More accessible and consistent advice and guidance via Charity Commission Direct.
 5. Easier and more convenient way to update their register details on line.
 6. Some will be able to use new provisions that deregulate and simplify restriction on action in a number of areas including:
 - a simplified process for spending small amounts of capital;
 - measures to facilitate mergers and ease the process when charities combine; and
 - the streamlining of trustee indemnity insurance and trustee payments for the provision of services.
- 3.2. The annual income of registered charities is £46.9 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 £57 billion.
- 3.3. Volunteers also play a significant role in the work of charities and, based on estimates,⁴ their contribution is worth a further £30 - £40 billion a year.

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 2007. NCV0

4. Regulatory principles

- 4.1. In preparing the plan we have followed the principles of better regulation – proportionate, accountable, consistent, transparent and targeted. We aim to engage with charities in a way which makes the most difference to them. Our actions 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. We will only ask for information that we need.
- 4.2. Since our 2007 Plan, we have finalised the risk and proportionality framework for our Compliance and Support function, taking account of responses to an informal public consultation on a draft framework. This covers our regulatory work with charities where their assets, services, beneficiaries and reputation are at serious risk of abuse or damage; and includes undertaking formal statutory inquiries.
- 4.3. The framework formally sets out our enhanced approach to risk-based regulation in our compliance work and publicly shares what we consider to be the areas of greatest risk for charities.
- 4.4. In line with our policy for openness we have also published our internal guidance on the way we deal with regulatory compliance casework. This guidance – *How the Commission Deals with Regulatory Casework* - is underpinned by the Risk and Proportionality Framework for our compliance work.
- 4.5. The framework, internal guidance and a summary of public responses to the informal consultation on the draft framework with commentary from the Commission can be found on our website at:
http://www.charity-commission.gov.uk/recent_updates_archive.asp
- 4.6. We are now developing a risk and proportionality framework which will apply to other areas of the Commission's work with charities, and we will seek the views of the sector and the public on this later in 2008/9.

5. What is the Commission doing?

Public Benefit Reporting and Guidance

- 5.1. 2008 saw the introduction of public benefit reporting for registered charities and a positive reaction from the sector to our guidance on public benefit. While reporting forms an important part of the accountability and transparency of charities we were conscious of the need to ensure that it was introduced in a proportionate way.
- 5.2. The new requirements therefore build on existing reporting requirements, focusing the report so that the reader can see more clearly how the aims of the charity are carried out, through the activities undertaken, for the public benefit.
- 5.3. Similarly we tried to balance a general desire for greater transparency and accountability by charities about their public benefit, against our commitment to minimising the administrative burdens on charities. There is not, therefore, a 'one size fits all' approach to public benefit reporting and the majority of registered charities will be able to report without any increase in costs. There will be some additional cost for larger charities and further details are in section 3 of Annex 5.

A 2008 survey found that only 4% of charities thought that public benefit reporting would be 'difficult.'⁵

"NCVO welcomes the Charity Commission's new public benefit guidance. The public benefit requirement is a real opportunity for charities to say how they benefit the public and how they make a positive difference to people's lives. This can only enhance public trust and confidence, enabling people to understand why charities are special and why they deserve our support. The Commission's guidance will enable trustees to consider what the requirement will mean for their charity."⁶

Redesigned Register

- 5.4. We believe that it is important to make as much information as possible publicly available so that the public and other stakeholders can be better informed donors and supporters of charities.
- 5.5. In October 2008 we therefore launched a new version of the online register of charities. It makes key information about a charity much clearer and more accessible to the general public. Improved navigation makes it quicker and easier to find information, and new and enhanced search facilities allow stakeholders to search by a number of criteria. For example, if a member of the public is interested in charities operating in a particular field such as animal welfare or international development, they can scroll through and find out what exactly charities of a particular type are doing.
- 5.6. We believe this will improve charities' accountability and transparency. For example, it shows a charity's track record for submitting accounts over a 5 year period also using colour coding to tell the reader if the latest submissions are on time or overdue.
- 5.7. We have made these improvements in the register by presenting already available information in a more comprehensive and accessible way so it does not increase the reporting burden on registered charities. For example, while charity accounts have long been publicly available, new financial profiles for larger charities (over £500,000) show at a glance details of their income and expenditure.
- 5.8. Early reaction to the new register has been very positive. The new register can be viewed on our website. It includes a feedback facility so that anybody who is accessing it can tell us how easy it is to use and understand and make suggestions for further improvements.

⁵ The Baker Tilley Voluntary Sector Governance Survey 2008 was based on responses from over 550 organisations.

⁶ Extract from statement by Stuart Etherington Chief Executive of the National Council for Voluntary Organisations (NCVO).

“In terms of improving public access to information on charities, I think the new site functionality is a really big and positive step and absolutely what the Commission should be doing.” Ben Wittenberg, Director for Policy and Research at the Directory of Social Change

90% of respondents to an online poll conducted by Third Sector magazine agreed that the Charity Commission was ‘right to highlight in red charities that file their accounts late’.

Online Services

- 5.9. We continue to improve our range of online services providing charities with an easier and more convenient way of changing their register details and of submitting reports and accounts to us.
- 5.10. Last year we reported that the results from the first half of 2007/8 had been very encouraging with take up rates growing much more quickly than expected. But we were conscious that this might not represent an accurate overall picture as submission deadlines are not spread evenly over the year. We are therefore pleased to report that the high take up rates were maintained over the reporting cycle.
- 5.11. The results of the first complete cycle using the new online service have been impressive with approximately 84,000 charities – around 50% of all registered main charities - filing their Annual Update or Annual Return 2007 online. In particular:
- By the end of October 2008, 67% of charities completing Annual Return 07 had done so online and 63% of Annual Updates had been made online.
 - 39% of 2007 accounts were filed online.
- 5.12. In 2008 we added applications for registration to our suite of online services. This will potentially benefit 2,000 charities applications for registration each year and we expect it to reduce the costs of currently exempt and exempt charities that will have to register in the future as mentioned in section 11 and Annex 5.

“Completing our annual report is simple and time saving compared to the old paper method.”

“The most accessible and easy to use website I have ever come across – congratulations. I submitted accounts and annual return without a hitch first time.”⁷

Case Study

“It’s much easier to submit our accounts.”

Preparing accounts for audit used to be a real headache for Stephen Burke, Chief Executive of Counsel and Care, a charity which provides care services, benefits and housing options for older people. Now, instead of guidelines changing each year, a simple online template does the job for him. “Now it’s much easier for finance to submit our accounts online because there’s a pre-determined template. So there’s less paperwork.” And more time for charities to focus on what they do best – delivering services.

⁷ Two comments received from users of online services.

Annual Return

- 5.13. We regularly review the information requirements in the Annual Return in the light of the principles of modern regulation. Recent changes have reduced the burden on the 65,000 registered charities with annual income between £10,000 and £500,000.
- 5.14. We pay particular attention to the Summary Information Return (SIR), a part of the Annual Return that is completed by charities with income over £1 million. We implemented some technical and presentational changes to improve the SIR that were proposed in 2007 by an independent review. The next stage will be to carry out a public consultation in 2009 on the future of the SIR.
- 5.15. As explained in greater detail in Annex 2 we have also revisited the costs of preparing the Annual Return and this has produced revised, and significantly lower, figures.

Guidance and Advice

- 5.16. We have published a range of new and updated guidance this year, including:
- Speaking Out – Campaigning and Political Activity by Charities. This restates the fundamentals of charity law in this area to ensure our guidance is relevant to today’s trustees. In particular we have tried to find a more helpful way of describing the terms ‘dominant’ and ‘ancillary’, which many users of our previous guidance told us they found difficult to understand.
 - Trustee expenses and payments guidance designed to help trustees of charities in England and Wales get trustee payments – and expenses to which they are legitimately entitled – right.
 - The Hallmarks of an Effective Charity a revised publication which clarifies the key areas of governance that will provide a governance framework based on good practice for all charities.
- 5.17. We also worked with other bodies including:
- HM Revenue and Customs and the Housing Corporation on Affordable Home Ownership – Charitable Status and Tax offering charity trustees, including the boards of registered social landlords (RSLs), general information and advice on providing charitable shared-ownership housing;
 - the Local Government Association, NACVA and the Commission for the Compact to produce an online reference manual to help Local Authorities work with charities; and
 - the Department for Culture Media and Sport to produce guidelines for arts charities on avoiding conflicts of interests.
- 5.18. Developing complex or technical guidance will often take some time but on occasions more urgent advice is needed. The difficulties in the financial markets affected many charities and in October we reacted quickly to offer some guidance on our website for charities with investments in Icelandic banks and on what the Financial Services Compensation Scheme would mean for charities.
- 5.19. We also offer help to stakeholders in other ways. For example we recently established our Faith and Social Cohesion Unit to offer support and expert advice to faith-based charities. It has held a series of regional events to explain its work and listen to views on how to develop its service and help charities perform as effectively as possible.

Munawer Rattansey, representing the Mosques and Imams National Advisory Board (MINAB) said:

“We welcome the Faith and Social Cohesion Unit’s latest event with Muslim organisations, and are pleased to be taking part again. It is heartening to see the Commission’s new team working closely with various Muslim organisations, charities and mosques, to ensure that governance within charities is strengthened, helping faith communities play their legitimate role in building a true and vibrant society, and advancing community cohesion. The members of MINAB are looking forward to working closely with the new unit on this and many more outreach events across the country.”

- 5.20. More generally, we continue to work on improving the clarity of our guidance to charities, paying particular attention to clearly distinguishing between legal requirements and best practice. For example, our Stop, Think, Write project included the publication of a new plain language guide for Commission staff. Building on existing good practice, it sets out our communication principles, the values we wish to be reflected in our written work and provides practical advice on how to ensure that we communicate effectively, internally and externally. We were delighted to hear that Stop, Think, Write was selected as the best Public Sector Idea of the Year in the Idea of the Year 2008.⁸ The judges commended how we had involved and engaged staff in delivering organisational change.
- 5.21. Section 11 of Annex 3 below contains various targets we have set ourselves for revising our publications. We will measure user satisfaction and the results will inform our reviews of publications.

Charity Commission Direct

- 5.22. In the 2006 Plan we referred to having introduced a new service – Charity Commission Direct (CCD) – 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 users. It currently takes calls for 12 hours on weekdays and provides a Saturday service. In the last year we dealt with over:
- 186,000 phone calls, 92% of which are resolved at first contact;
 - 38,000 emails, over 90% of which are acknowledged and responded to within 5 days, and
 - 60,000 letters.
- 5.23. We continue to work to improve the service offered by Charity Commission Direct. We were particularly pleased to have our work recognised in November 2007 when CCD won the Operational Delivery category of the Whitehall & Westminster World Civil Service Awards. We were also shortlisted in the ‘Best Customer Focus: Public Sector’ category of the Contact Centre Association awards. More recently, our partnership work with the Community Foundation Network’s BOOST initiative, which involves the release of assets from dormant, inactive or ineffective charities so that they can be put to better use, was recognised by an award at the Charity Times awards in September 2008.
- Further information about Charity Commission Direct can be found at: www.charitycommission.gov.uk
- 5.24. We also continue to develop our online knowledge base that enables charities to find information on a range of topics directly from our website. Last year’s plan reported that it covered 290 different topics and was being viewed by over 20,000 users a month. We are pleased to report that it now provides the answers to over 380 ‘frequently asked questions’ that are viewed by 30,000 users a month.

“I felt I must email to say a big thank you on such prompt and efficient action. It is not very often in these days of impersonal call centres and frustrating press 1, press 44, press 246... phone calls that we get service as good as this. Well done. Once again, a BIG thank you.”⁹

⁸ The competition is organised by the charity IdeasUK, who promote and provide guidance on employee suggestion schemes

⁹ User feedback on service provided by CCD

Redesigned Website

- 5.25. In July 2007 we relaunched our website with a simpler structure and better search facilities. This made it easier for charities to access both our online services and our advice and guidance. It also improved access to the register of charities for members of the public and other stakeholders. This has proved very popular with visits from over 3.7 million users in its first year. They looked at an average of 7.5 pages per visit for a total of almost 27 million page views.
- 5.26. We are also continuing to develop a proposal to provide a subscription service for users and, to complement this service, will also provide a Really Simple Syndication (also known as RSS) feed from our website homepage. This will make the latest headlines available to users as soon as they are published, without the need to visit our website. As outlined in section 7 of Annex 3 we expect these to be in place by early 2009.

Accounting by Incorporated Charities

- 5.27. Charities have often expressed concern about the confusion that is caused by charitable companies and other charities having different accounting requirements. Measures have been taken to address this.
- 5.28. 2008 saw further progress towards the implementation of the 2006 Act's provisions for the creation of a new form of charity, the Charitable Incorporated Organisation (CIO) that will register only with the Commission. This will allow charities to be established in an incorporated form without having to comply with both company and charity reporting requirements. CIOs will be subject to the general charity accounting regime. A consultation on the way forward for the CIO was published jointly by the Commission and the Office of the Third Sector (OTS) in September 2008.
- 5.29. The results of the consultation were not known in time for inclusion in this Plan but details will be on our – and OTS's – website in 2009. Next year's Plan will reflect developments over the next year and assess their impact on charities.
- 5.30. Last year's Plan mentioned that steps were being taken towards harmonising the audit and independent examination requirements for company and non-company charities. These changes were introduced earlier this year and apply to financial years beginning on or after 1 April 2008. As a result charities, however constituted, will be audited or examined based on the same thresholds. In particular, independent examination, a scrutiny regime designed specifically for charities, will also be an option for small charitable companies. More details of the changes and their impact are contained in section 2 of Annex 4. This will address an issue that is often raised by the sector and will simplify the accounting regime that applies to charities but it will bring a small increase in regulatory costs.
- 5.31. In addition, a legal framework now exists for the preparation of charity group accounts giving a legal basis to established sector practice.

Work with Other Regulators

5.32. 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. Since our 2006 Plan we:

- have agreed a Memorandum of Understanding (MoU) with:
 - Gambling Commission;
 - HM Revenue and Customs;
 - The Association of Chief Police Officers;and are close to final sign off of MoUs with:
 - Child Exploitation and Online Protection Centre;and continue to work closely with other regulators and key partners and are developing MoUs with:
 - Financial Services Authority;
 - Serious Fraud Office;
 - Department for Work and Pensions; and
 - Business Enterprise and Regulatory Reform.

5.33. We also continue to work closely with other charity specific regulators, in particular the Office of the Scottish Charity Regulator, and we are a member of the UK and Republic of Ireland Charity Regulators' Forum.

Partnership Working

5.34. We continue to develop our work engaging with umbrella groups covering high volumes of small and medium sized charities. This Partnership work is designed to enable umbrella bodies to act as intermediaries in disseminating advice and guidance to their members in conjunction with the Commission. Charities will then benefit by being better informed about their regulatory and financial environment in a way that is tailored for their particular circumstances and activities. There will also be a wider impact as the benefits spread out to the trustees and staff of charities who may occupy trusteeships of other charities.

5.35. There is already some evidence that the Commission's endorsement logo is providing reassurance to service commissioners and funders, thus improving the prospects of such charities for securing funds.

5.36. Further information about our partnership work with charities is available on our website at

"The impact of your partnership work with us is having a ripple effect into the wider 'sector' to improve standards generally." Stephen Hammersley, CEO, Community Foundation Network

www.charitycommission.gov.uk/Library/tcc/pdfs/paper07obm44.pdf

6. Consultation on financial thresholds: stakeholders support changes and confirm benefits of regulation

- 6.1. As mentioned in last year's Plan the Commission and the Office of the Third Sector published a joint consultation on financial thresholds in December 2007. The Government published its response in August 2008, agreeing to most of the proposals for change.
- 6.2. The consultation was an important opportunity to explore proposals that would reduce the regulatory burden on charities and to test opinion on how far stakeholders believed the regulatory burden could be reduced without undermining the effective regulation of charities. It therefore made a number of significant deregulatory proposals and sought views on whether an even more radical approach should be taken.
- 6.3. Most of the recommendations were supported and will be implemented in 2009. But the overall response saw a reassertion of the importance of charities' accountability and transparency that led the rejection of two deregulatory proposals in the light of the responses to the consultation.
- 6.4. More generally, stakeholders did not want a more radical approach than the one reflected in the consultation document and offered little support for more substantial changes than those recommended. The responses clearly indicated that stakeholders believe the benefits of the current regulatory framework, subject to the agreed changes, outweigh the burden that is placed on charities and their trustees.
- 6.5. We believe this strongly suggests that we are close to the core regulatory requirements for effective regulation of charities. While we will continue to look for ways of improving the framework we doubt it will be possible to make further major changes without undermining the accountability and transparency of charities that is vital to the maintenance of public trust and confidence in the sector. A more detailed discussion of the scope for further major changes is in Annex 3.
- 6.6. Full details of the proposals and the government's response can be read at:
<http://www.charity-commission.gov.uk/Library/common/thresholdsresponse.pdf>
- 6.7. All proposals supported by the consultation and agreed by government are included in Annex 4. It is intended to make these changes, by secondary legislation, in time for them to be effective from the beginning of Financial Year 2009/10.

7. Re-measurement of Annual Return (AR) costs

- 7.1. Previous plans have mentioned our concern that the original ABR measurements are not realistic indications of the actual costs. Last year we had some initial feedback from charities that supported our view and this year we have gathered more information through direct contact with charities. This has led to significant changes. Full details are in Annex 2 and the findings have led to the production of a revised overall baseline of £36.56 million.
- 7.2. This is good news, showing that the burden on charities is not as great as first thought. But it has a major impact on our overall position in the context of administrative burden reduction. Charities' Annual Return costs previously represented around 29% of our baseline. This has been reduced to less than 5% - not only reducing our baseline but also removing much of the potential saving that the original estimates seemed to offer. Annex 3 discusses the impact of the re-measurement on the scope for further burden reduction.
- 7.3. We intend to conduct a wider ranging study of AR preparation over the next year and its results will be reflected in next year's Plan.

8. Main reduction measures

- 8.1. The regulations allocated to the Commission have been measured as costing charities £36.56 million annually as at May 2005 (Annex 1 contains more information on the original measurement process). We also take account of the anticipated further £3.6 million of potential additional regulatory costs (see Section 10 and Annex 4 below for further details).
- 8.2. The reduction measures in this Plan now cover a variety of changes that have either been made since 2005 or are planned to be implemented by May 2010. Further details of all individual measures and proposals are in Annex 4 and significant developments include:
- reducing the Annual Return costs for charities with annual income between £10,000 and £500,000; and
 - the implementation phases of the 2006 Act including increases in both audit and general registration thresholds;
 - raising the threshold above which a charity's accounts must be externally scrutinised from £10,000 to £25,000;
 - raising the threshold above which non-company charities must prepare accruals accounts from £100,000 to £250,000; and
 - the introduction of on-line services and active encouragement to charities to use them.

While some of these changes have already been made, their benefits are still being realised, for example as increasing numbers of charities take-up the benefits of on-line services.

9. Assumptions

- 9.1. The overall figures in our Plan are based on the following assumptions:
- that all relevant provisions of the 2006 Act are implemented;
 - that secondary legislation is obtained to implement all of the threshold changes supported by Government following the consultation on financial thresholds; and
 - that all costs arising from voluntary registration, including reporting requirements, are not considered regulatory costs as they are voluntarily undertaken.
- 9.2. We are working closely with the Office of the Third Sector to monitor these assumptions and will manage any resultant risks.

10. Tables of total administrative burden savings in Plan

10.1. The table takes the same approach as our 2007 Plan, though after discussion with the Better Regulation Executive we have returned to using the number of charities on the register in 2005.

10.2. Annex 4 contains more details of all savings and distinguishes between measures already in place, Charities Act 2006 changes that are still to be implemented and other threshold changes that will be implemented for the start of financial year 2009/10.

Item	£m
Baseline	36.56
(Revised from 2007 Plan – see Annexes 1 and 2).	
Target (25%)	9.14
Savings	
Annual Return (AR) costs	0.36
(Increase of internal threshold from £250k to £500k, increase in registration threshold, use of online services)	
Revised total Trustees' Annual Report (TAR) costs	2.4
Increased audit and registration thresholds	
Increased accruals accounts threshold	3.60
(from £100k to £250k)	
Increased threshold for external accounts scrutiny (often referred to as the Independent Examination threshold)	1.19
(from £10k to £25k)	
Increased registration threshold	0.5
(simplified and raised from £1k to £5k)	
Increase in threshold for audit requirement	0.355
(from £250k to £500k)	
Improvement in on-line services (not including AR submission – included above)	0.04
Small charities provisions in 2006 Act	0.17
Raising threshold for accounts and TAR submission	0.10
(from £10k to £25k)	
Total Savings	8.72
Additional Costs	
Revised costs for exempted and exempt charities having to register	2.1
(in comparison with the 2007 Plan this takes account of lower AR costs, the impact of electronic registration and a revised position for Foundation and Voluntary Schools)	
Changes to accounting for small charitable companies	0.75
Introduction of Public Benefit Reporting	0.75
Total Additional Costs	3.6
Net Saving (£m)	5.12
Net Saving (%)	14%

10.3. This table outlines how the savings will emerge.

Year	2008/9	2009/10
Changes in Place	£3.93m	£3.93m
Implementation of Agreed Threshold Changes	£4.79m	£4.79m
Additional Costs	(£1.5m)	(£3.6m)
Total	£7.22m (19.75%)	£5.12m (14%)

10.4. More details of the impact of these changes are included in Annexes 3 and 4.

11. Planned additional costs

11.1. In assessing the burden on charities we also have to take account of any additional costs, which are likely to arise during the life of the Plan. At the moment additional costs fall in three areas:

- i. The provisions 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 be implemented in 2009.
- ii. Changes to the accounting requirements for charitable companies.
- iii. The introduction of public benefit reporting by registered charities.

11.2. As explained in Annex 5 below these could add a total of £3.6 million. This figure has changed since the original plan reflecting not only new initiatives but also to take account of changes in the areas included in the original Plan.

12. Recent consultations

12.1. 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. Since the Charities Act 2006 was passed in November 2006 this has continued and public consultations since our 2007 Plan include:

- The continuation of our consultation programme on aspects of the new Public Benefit requirement for charities. This has covered a range of topics:
 - Prevention and Relief of Poverty.
 - Advancement of Religion.
 - Advancement of Education.
 - Fee-Charging.
 - Advancement of Moral or Ethical Belief Systems.
- A joint Commission and OTS consultation on financial thresholds in the Charities Acts; and
- A joint Commission and OTS consultation on the Charitable Incorporated Organisation.

12.2. 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; and
- Members of the public.

“There are many notable things about the Charity Commission’s guidance on public benefit, published today, and they will no doubt be debated robustly. But something worth mentioning at once is the extent to which the guidance has changed after the consultation on last year’s draft. Consultations are often mainly window dressing...but in this instance the Commission has engaged with and responded publicly to more than 900 submissions from stakeholders, and even delayed final publication to consider them. Whatever else people say about the results, the Commission gets top marks for listening.” Extract from editorial in Third Sector magazine.

13. What is happening in the future to help charities?

13.1. There are further measures on the horizon including:

- The changes to emerge from the review of financial thresholds will be implemented to have effect from the beginning of financial year 2009/10. Details of the results of the review can be found in Annex 4 below and in the narrative section of this Plan. These will reduce the regulatory burden for thousands of charities with a particular focus on smaller charities.

13.2. More generally we are working towards more proportionate regulation and we will continue to:

- develop a risk based and proportionate approach to our work as outlined in paragraph 4.6 above;
- continue to review our approach to both information gathering and accounts monitoring. This will include a consultation on the future of the Summary Information Return. Emerging proposals for change will be added to the Simplification Plan; and
- continue to develop policies and practice to deliver better regulation. This work will focus on trying to minimise the regulatory burden for charities and their trustees wherever possible. As measures are developed and the benefits quantified the details will be added to the Plan.

13.3. 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 6 to this plan.

14. Links to the Hampton Review

- 14.1. 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.
- 14.2. In particular, we:
- 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 website.
 - Constantly review and refine our approach to monitoring.
 - Liaise with other regulators to reduce duplicate information requests.
 - Routinely use external reference groups when developing new policies and procedures.
- 14.3. In common with other regulatory departments we will also be subject to a Hampton Implementation Review. These reviews are seen as a key part of delivering Government promises to cut red tape. Our Review is expected to take place early in 2009 and will be designed to provide us with a structured check on performance against the Hampton principles of good regulation.

15. Next steps

- 15.1. As mentioned elsewhere some proposals for change have been rejected because of the risk to transparency and accountability. This has left us limited scope for making further significant changes but we remain committed to continuing to explore ways of reducing the impact of our regulatory burden on charities, and of simplifying our regulatory processes.
- 15.2. We will continue to review the costs, not only of new measures but also 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.
- 15.3. We will therefore continue to update this Plan not only to include new proposals but also to validate the baseline costs and assumptions.
- 15.4. As in previous years, 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:
www.betterregulation.gov.uk/

Annex 1 - Measuring administrative burdens (AB)

The Commission took part in a cross-government initiative, co-ordinated by the Cabinet Office to establish the cost of the administrative burden on businesses and charities as a result of government regulation.

More details were included in our 2006 report and details of the measurement process and the findings for the Commission can be found in the supporting papers at:

www.charitycommission.gov.uk/spr/simple.asp

More information about the project as a whole is at:

www.cabinetoffice.gov.uk/regulation.aspx

Very briefly, it found that the May 2005 baseline cost of regulations allocated to the Commission was £49.4 million. As explained above and in previous Plans, subsequent adjustments now give us an adjusted baseline of £36.56 million.

For the charitable sector, the AB costs in our Plan do not all represent actual expenditure by charities. Much of their work, particularly in small charities, is carried out by volunteers. Where this is the case the AB measurement includes a financial value for voluntary work based on standard hourly rates. More details can be found via the links above.

Annex 2 - Re-measurement of Annual Return costs and 2005 baseline adjustment

1. Current Costs of AR Preparation

The Commission's earlier Simplification Plans have described our doubts about the accuracy of the original measurements of the costs of preparing the Annual Return. While the original figures offered potentially large reductions in preparation costs, we were concerned that savings claimed on the basis of these figures would lack credibility for our stakeholders.

We therefore carried out some research in this area to produce a more robust evidence base for the cost. We would emphasise that we have not done so because changes would make it easier to reach our 25% reduction target. In fact, as explained elsewhere, the re-measurement has made more difficult for us to do so. But we believe that it is more important to have more accurate figures not only as a starting point but also as a more useful basis of assessing the impact of any changes that are made to the Annual Return.

We have produced revised figures based on two pieces of research.

- First we have carried out a telephone survey to gather information from 134 charities. While we appreciate that this is not a large sample, it provides a significantly larger evidence base than that used for the original measurements. It is also a larger sample than was used in the re-measurement of the costs relating to the Trustees Annual Report (as explained in our 2006 Plan).
These charities told us how long they took to prepare AR 07, who did it and whether they incurred any external costs in doing so. The last point was directed at one of the most surprising aspects of the original measurements – the inclusion of £5.6 million external costs attributed to charities with income between £100,000 and £250,000. Only one of the 134 charities said they incurred any external cost, though they could not say how much as it was part of an overall accounting package. We believe that the overall results confirm our publicly stated view that it is not necessary for charities to incur any external costs for completing the AR. No such costs are therefore included in the revised figures. Information on time taken was gathered in stated periods (for example, 0-15 minutes, 16- 30 minutes etc). Our calculations assume that charities took the higher figure of each period (for example, all charities that said it took 16 – 30 minutes are assumed to have taken 30 minutes).
- We have also taken account of a report we commissioned into the Summary Information Return - that part of the AR only completed by registered charities with income over £1 million. As mentioned in our 2007 Plan, this report covered 164 charities of this size and found that they spend an average of 5 hours to prepare this part of the AR. On the basis that they will take a further 2 hours to complete the other sections of the form we estimate that charities of this size would take an average of 7 hours to complete the AR.

The above information, together with the standard hourly rates, suggests that the current total cost of AR preparation is **£1,297,965**, breaking down as follows:

Income	Charities	Average Time	Average Cost	Total Cost (£)
£5k – 10k	27558	19 minutes	4.93	135,860
£10k – 25k	23494	22 minutes	5.67	133,211
£25k – 250k	35819	28 minutes	7.21	258,255
£250k – 500k	5026	45 minutes	11.58	58,201
£500k - 1m	3353	1 hour 32 minutes	23.79	79,768
Over £1m	5122	7 hours	123.52	632,669
Total	100,372			1,297,965

This includes all charities with income above £5,000. Those between £5,000 and £10,000 are not legally required to send an AR but we have included their costs. They are required to register and to update their register details so we ask them all to complete an AR as a convenient way of ensuring the information we hold is kept up to date.

This does not include the costs of AR completion for around 68,000 registered charities below the £5,000 threshold. This is consistent with the approach our Plans have always taken to costs arising as a consequence of voluntary registration – they are not regarded as regulatory costs (see section 6 of the Plan).

We will carry out a wider ranging survey of charity's AR costs over the next year not only to validate the above figures but also to measure the continuing impact of increased use of online services.

2. Estimating a Revised May 2005 Baseline

The above reflects current AR costs. To produce a figure for these costs at the baseline date of May 2005, we have estimated the impact of changes since then. They are changes which relieved smaller charities (below £500,000) of having to complete part of the form, the availability of online submission and the change in the general registration threshold.

First we can see that the average time taken for charities between £500,000 and £1m is around double that in the bands that previously had to complete the relevant parts of the form. We therefore estimate that charities between £10,000 and £500,000 would have had to pay around 40-45% more than at present to complete the full form.

Because of the timing of the change, 45% of the impact was before May 2005 but the other 55% should be added to the current figure to adjust for the May 2005 position. As an approximation, therefore, we have assumed the total extra cost to be 20% of the current costs of charities between £10,000 and £500,000. This **adds £78,000.**

Second, 65% of charities currently submit their AR online. We estimate that this saves around 8 - 10% of the preparation and submission time. This overall figure is supported by the results of this survey. We can therefore add 6% of the current total to adjust for the original position (when on line submission was not available). This **adds £98,000.**

Finally, the change in the general registration threshold since May 2005 means that we must also add the preparation costs of 38,000 charities with income between £1,000 and £5,000. This adds **£187,000.**

Taken together this gives us a revised – and rounded - **May 2005 baseline cost of AR preparation of £1.66 million.**

In our 2007 Plan we used a total cost for AR preparation of £13.16m. The adjustment in AR costs therefore leads to a **reduction on our overall May 2005 baseline of £11.5 million.**

We must also make one final adjustment. As noted elsewhere our agreed approach throughout has been to exclude cost arising from voluntary registrations. We have noted that this was not applied to the costs of preparing a Trustees Annual Report for registered charities with income of £1,000 or less on May 2005. This applies to 30,000 charities and **removes a further £1.04 million** from our baseline.

This approach is consistent not only with our general approach to such costs but also with the treatment of TAR costs after the registration threshold was raised for which the Plan has claimed savings.

Our revised May 2005 Baseline is therefore £36.56 million.

Annex 3 - Scope for reaching the 25% target

The results of the consultation on thresholds also saw the rejection of the proposal with the widest impact – to remove a reporting requirement from 118,000 charities - and strong support for much of the current regulatory framework.

The combined impact of these developments is to reduce the projected savings in this Plan to 14%. We will continue to be alert for further possible savings but we do not believe that the remaining potential for savings will allow this target to be met without significantly damaging the accountability and transparency of the sector. To illustrate this it may be helpful to look in more detail at the 5 areas of largest administrative burden, which together represent 90% of our baseline and the limited scope for significant savings in other areas.

1. Trustees Annual Report (TAR): Total cost £14.8 million, 39.5% of the baseline.

Some savings have been made here by simplifying the report for medium sized charities. Similarly, changes in the registration threshold have reduced the regulatory costs in this area (see section 2 of Annex 4).

To try and further reduce the burden on smaller charities the recent consultation on financial thresholds proposed the introduction of a TAR preparation threshold of £25,000. This would have removed the requirement to prepare a TAR from around 118,000 small charities.

The proposal was rejected by government, however, in the light of strong arguments about the damage it could do to the accountability and transparency of small charities. This was supported by the results of a Charity Commission commissioned Public Trust and Confidence survey that showed that 90% of the public agreed it was important that charities explain in a published Annual Report what they have actually achieved. This is a strong endorsement of the purpose of the TAR. It is clear therefore that the TAR is widely supported and that the public regard its benefits as outweighing the cost of compliance.

We will, of course, continue to look for ways of reducing the preparation costs of the TAR but the scope for this is limited.

For 144,000 smaller charities, for example – including the 118,000 mentioned above - it is already very little burden individually and we believe that any significant reduction in content would render it useless.

Some savings have been made for larger charities. The increase in the audit threshold made things easier for those with income between £250,000 and £500,000 (reporting requirements are less onerous for charities below the audit threshold). But, again, we do not believe that there is scope for making major reductions to the TAR requirements without undermining its effectiveness.

Overall, therefore, we doubt that it will be possible to replace the ‘lost’ saving that the preparation threshold would have produced without undermining the usefulness of the TAR and damaging public confidence in charities.

2. Annual Return: Last Year’s Figure: £13.16 million, 27% of total. Revised figure: £1.66 million, 4.5% of revised baseline.

The original figures for Annual Return preparation contained in previous Plans seemed to offer scope for major savings. Certainty about the scope for savings was undermined by the doubts we had expressed about the accuracy of the baseline figures. It was clearly desirable to further examine the assumptions made about potential costs savings by trying to establish more robust information directly from charities. We warned that any reduction to the baseline would clearly impact on the potential saving and affect our ability to meet a 25% target.

As we explain in Annex 2 we have now gathered information from charities and it has confirmed our concerns about the accuracy of the figures. This shows that, particularly for small charities, the basic AR requires very little effort from individual charities. We have therefore amended our baseline to reflect the revised figures.

This is good news - the burden on charities is less than first thought. It also suggests that we are close to core regulatory requirements in this area and therefore reduces the potential for major savings that was suggested by the original figures.

Clearly this much smaller figure reduces the impact of any changes we might make on our overall position. For example the saving from removing the requirement for smaller charities to complete part of the form was £1.1m when the original figures were used but is reduced to £78,000 on the revised costs. Similarly, we were confident that the £5.6m external costs, if confirmed, would have been saved by revising our guidance. That would have saved over 10% of our original baseline. But the revised figures do not include any external costs and so this source of possible savings simply did not exist. Indeed, on the revised position even the complete abolition of the AR would save less than 5%.

As is the case with the TAR there are limits on how far we could reduce AR costs without undermining its purpose and, potentially, public confidence in charities. Again, the consultation sought views on whether the current £10,000 threshold for completing the AR should be changed. Most people who responded thought it should be retained. The views of those in favour of change were split. Some supported an increase while others thought it should be removed so that all registered charities would be required to make an AR. The government decided to retain the current £10,000 threshold.

We will continue to review the AR contents annually and in 2009 will specifically review the Summary Information Return that is made by those with income over £1m. But it will not be possible to find savings to match those 'lost' as a result of the re-measurement.

3. Accounts Preparation. £9.81 million, 26% of baseline.

The Government supported the proposals to raise the threshold for preparing accruals accounts from £100,000 to £250,000. As explained in section 3 of Annex 4 this will produce a significant saving of £3.6m.

But it is clear from the overall response to this proposal that opinion is divided and it is very unlikely that a further increase would be supported by stakeholders in the near future.

At a more basic level the consultation also confirmed overwhelming support for the requirement for all charities to prepare accounts.

While we will be alert for further possible savings in this area it seems clear that there is unlikely to be support from stakeholders or government for further significant changes at this stage.

4. Independent Examination and Audit of Accounts. £5.52 million, 14.7% of baseline.

Changes have been, and will be, made in this area. The Charities Act 2006 increased the Audit threshold and the government has accepted the recommendation in the consultation to raise the threshold for compulsory external examination of accounts (often referred to as the Independent Examination threshold).

These have been partially offset by changes designed to harmonise the accounting requirements for company and non-company charities. Harmonisation resulted in a relatively small increase in costs – see section 2 of Annex 5 - but has nevertheless been widely welcomed by the sector.

The consultation response confirmed the view that it is too early to make further changes to the Audit threshold. This will be looked at as part of the 5 year review of the Charities Act due in 2011/12. That will, of course, be after the target date for burden reduction. Similarly there was insufficient support for a larger increase in the external scrutiny threshold and that is likely to rule out a further change before the target date.

As ever we will continue to be alert for possible further savings in this area but the above makes it clear that is little scope for further major savings by May 2010.

5. Registration. £2.15 million, 5.7% of total.

Again, the general threshold was increased by the 2006 Act and for the longer term we expect that the development of online registration will further reduce costs.

The consultation did not support any further increase in the general threshold at this stage, however, and so we would expect the 2006 Act threshold to be unchanged by May 2010.

6. Regulation in Other Areas.

The remaining 10% of our baseline is made up of a wide range of provisions. None imposes a large burden on the sector. Many of them are infrequently used but are very useful in the appropriate circumstances. They include, for example, requirements relating to the Commission's investigative and protective powers.

The consultation did propose a change to one of these requirements. Registered charities above a £10,000 threshold must include their registered status on certain documents. It was suggested that this should be raised to £25,000. But this was rejected in the light of convincing arguments against the change. The overall tone of the responses was good news in the regulatory context as it clearly indicated that stakeholders see this requirement as entirely justified. But it is another example of the limited scope there is for burden reduction in many areas of the charity regulatory framework.

We will, of course, continue to be alert for possible savings in these areas, but we believe that it is clear that such changes are unlikely to make a further significant contribution to a 25% target.

7. Overall.

This Plan contains measures that will produce a reduction of 14% against our revised baseline. We believe that as our analysis shows we have now pared down to core regulatory requirements and that it would not be possible to achieve the full 25% reduction without measures that would significantly undermine the accountability and transparency of charities and the public's confidence in them.

Annex 4 - Details of simplification measures

Issue 1: Annual Returns

Source of change

- i. Change of Regulations by Charity Commission
- ii. Guidance to avoid external costs
- iii. Change to baseline SIR costs

Action and who will benefit

The Charities Act requires registered charities with income over £10,000 to make an AR to the Commission. The Commission is responsible for the Annual Return (AR) regulations setting out the contents of the AR. Smaller registered charities are also asked to make an AR as a convenient way of confirming their registration details and keeping the register up to date. Charities with income over £1m must complete a Summary Information Return (SIR) as part of the AR.

The Commission regularly reviews the contents of the AR and will continue to do so. Recent changes have reduced the information that charities below £500,000 must include. There will be a consultation on the SIR in 2009.

Estimated cost savings

As explained in Annex 1 above, the underlying baseline costs have been recalculated and the baseline adjusted accordingly.

Savings against the revised baseline since May 2005 total £360,000 arising from:

- changes made via AR regulations since 2005;
- change to the general registration threshold; and
- introduction and take up of online completion and submission introduced since 2005.

Milestones/Deadlines for delivery

Specific saving for charities as they complete the AR reporting cycle.

There will be further consultation on the future of the SIR in 2009.

Issue 2: Trustees Annual Report (TAR)

Source of change

- i. Changes to Registration threshold in 2006 Act
- ii. Increase in Audit threshold in 2006 Act
- iii. Recommendation of Review of Thresholds

Action and who will benefit

- i. The increase in the registration threshold meant that around 38,000 registered charities no longer had to stay on the register. As explained in paragraph 9 above costs arising from their staying on the register on a voluntary basis are not treated as a regulatory cost.
- ii. Registered charities above the audit thresholds must prepare a more detailed TAR. The increase in the audit threshold in the 2006 Act therefore reduced the reporting requirements for charities with income between £250,000 and £500,000.
- iii. The proposal to introduce a preparation threshold of £25,000 was rejected by government following consultation. This would have removed the requirement to prepare a TAR from 118,000 charities. The TAR submission threshold will be raised from £10,000 to £25,000. The relatively small savings from this change are counted elsewhere.

Estimated cost savings

- i. This reduces regulatory costs by **£1.3 million a year**.
- ii. This reduces preparation costs for around 5,000 registered charities, saving **£1.1 million a year**.
- iii. The increase in the submission threshold is assessed separately as item 9 below.

Milestones/Deadlines for delivery

Change (i) and (ii) have been made.

The change to the submission threshold will be made to have effect from start of 2009/10.

Issue 3: Increased threshold for the preparation of accruals accounts

Source of change

Review of Thresholds

Action and who will benefit

Non-company charities with income over £100,000 must prepare accruals accounts. Following the thresholds consultation the Government has agreed that this should be raised to £250,000.

This will free around 11,700 non-company charities from the need to prepare accounts in the more expensive accruals format.

Estimated cost savings

Based on the AB figures for the difference in cost of preparing accruals and receipts and payments accounts costs this would save **£3.6 million a year**.

Milestones/Deadlines for delivery

Will apply from beginning of 2009/10 financial year.

Issue 4: Threshold for external examination of accounts (often described as the independent examination threshold)

Source of change

Review of Thresholds

Action and who will benefit

Charities above a £10,000 threshold must have their accounts externally examined. Following the thresholds consultation the Government has agreed that this should be raised to £25,000.

This will ease the burden on around 37,000 registered and excepted charities.

The consultation did not support raising the threshold to £50,000 which would have affected a further 23,500 charities.

Estimated cost savings

The increase to £25,000 will produce Admin Burden savings of **£1.19 million a year**.

Milestones/Deadlines for delivery

Will apply from beginning of 2009/10 financial year.

Issue 5: Changes to registration threshold

Source of change

Charities Act 2006

Action and who will benefit

The general registration threshold was both simplified and raised by the Charities Act 2006.

Of the previous three criteria, two were dropped (the possession of permanent endowment and the use or occupation of land) and the income based criterion was raised from £1,000 annual income to £5,000.

This removed the obligation to register from:

c1 - 2,000 new charities per year that would otherwise have to register.

It also meant that around 38,000 registered charities no longer had to remain on the register.

Estimated cost savings

Around 1,500 annually will not have to register.

On the assumption that they do not choose to do so voluntarily, this will produce Admin Burden savings of around **£500,000 a year**.

Milestones/Deadlines for delivery

Changes to the general registration threshold were implemented in April 2007.

Issue 6: Charity audit threshold

Source of change

- i. Charities Act 2006
- ii. Thresholds Review

Action and who will benefit

- i. The 2006 Act raised the audit threshold for both unincorporated charities and charitable companies. For example, the audit threshold in the Charities Act was raised from £250,000 to £500,000.
The changes will reduce the costs of charities between the old threshold and the new.
- iii. The thresholds consultation asked for views on a further increase to £1 million but the responses did not support a change at this stage.
- iv. It did support changes to the assets elements that apply to some charities below the £500,000 threshold.

Estimated cost savings

- i. This would remove around 8,200 charities from the need to prepare audited accounts. The above charities could opt to have their accounts Independently Examined rather than audited. The savings are therefore based on the difference in cost between these methods of accounts examination.
- ii. A total Admin Burden saving of **£355,000 a year** in respect of audit costs. It would also reduce the TAR requirements for these charities – these savings are reflected in the section of the TAR.
- iii. (ii) These changes are not expected to have a significant impact on the sector as a whole.

Milestones/Deadlines for delivery

- i. (i) The changes were implemented in February 2007.
- ii. (ii) The changes to the assets elements will apply from beginning of 2009/10 financial year.

Issue 7: Enhancement and redesign of online services

Source of change

Initiative by Charity Commission

Action and who will benefit

This covers a range of initiatives that will benefit varying numbers of charities and stakeholders.

While there will be costs savings, online services will bring other benefits.

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).

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.

Estimated cost savings

See individual elements below.

Milestones/Deadlines for delivery

See individual elements below.

Issue 7(i): Registration and register update

Source of change

Initiative by Charity Commission

Action and who will benefit

- i. On-line application for registration will provide a quicker, more efficient and more convenient process for most charities registering with the Commission.
- ii. 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.

Estimated cost savings

- i. On-line registration was only recently introduced and we would like to wait until it has been in place for at least a year before assessing its impact.
- ii. We have plans to extend its coverage and this plan assumes reduced registration costs for currently exempt and excepted charities that will have to register soon (see Annex 5).
- iii. This service has been widely used with over 300,000 individual changes being made on line during 2007/8. We are changing the way in which we gather information on this to better enable us to assess its impact.

Milestones/Deadlines for delivery

On line application for registration will be introduced in early 2008 and we aim to expand its coverage over 2008 and 2009.

Online register update available to all May 2006.

Issue 7(ii): Annual Return preparation

Source of change

Initiative by Charity Commission

Action and who will benefit

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 option for sending the Return to the Commission.

Estimated cost savings

The take up rate has exceeded expectations with 72% of charities completing Annual Return 07 doing so online.

We estimate this has so far saved £98,000 annually (this is included under AR related savings in section 10 of main body of Plan above).

Milestones/Deadlines for delivery

Available to all from May 2006.

Issue 7(iii): Accounts and Reports submission

Source of change

Initiative by Charity Commission

Action and who will benefit

As part of the above development charities can also submit their accounts and Annual Report on line along with the Annual Return.

By enabling accounts to be publicly available more quickly this should also benefit stakeholders and improve charities' accountability.

Estimated cost savings

This will not affect preparation but at current take up rates of one in three charities and an assumed £2.50 saving per charity for small reduction in time and cost of submission will save around £40,000 a year (this is the figure for charities above £25,000 as that will be the new submission threshold from 2009/10).

Milestones/Deadlines for delivery

Rolled out to charities in stages during 2005/6.

Available to all May 2006.

Issue 7(iv): Improved website and free subscription services

Source of change

Initiative by Charity Commission

Action and who will benefit

Leaving aside online services and the knowledge base, the first year of our redesigned website – to early July 2008 – was visited by 3.7 million customers who viewed 27 million pages, an average of 7.5 pages per visit.

We are continuing to develop a proposal to provide a subscription service for our customers. They will be able to sign up with us online to receive the latest news about the Commission via email. To complement this service, we will also provide an RSS feed from our website homepage. RSS stands for 'Really Simple Syndication' and allows our customers to see when we have added new content to our website. They will be able to get the latest headlines in one place, as soon as they are published.

Estimated cost savings

As well as improving access to online services the redesigned website was designed to make it easier for charities and other stakeholders to obtain guidance and information.

This should better enable stakeholders to become or remain fully informed about the charity law framework as continues to develop.

This should both improve compliance with the legal framework and enable charities to reach better informed decisions.

At this stage we do not believe we can make meaningful estimates of the financial benefits but will look into how we might best assess the impact of the changes, perhaps via analysis of future work streams.

Milestones/Deadlines for delivery

The redesigned website was launched in July 2007.

We aim to introduce the RSS feed by the end of 2008 and the subscription service in the first half of 2009.

Issue 8: Changes to help small charities and trustees

Source of change

Initiative by Charity Commission

Action and who will benefit

The 2006 Act contains a number of provisions to deregulate and simplify the restrictions on action in a range of areas. Examples are:

- 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; and
- measures to facilitate mergers and ease the process when charities combine.

Estimated cost savings

In practice these provisions are likely to be used by a relatively small proportion of charities annually.

AB figures are not directly comparable with all of these measures but we estimate they will save **around £170,000 annually**.

Milestones/Deadlines for delivery

The first of these changes was implemented in February 2007.

Issue 9: Threshold for submission of accounts and TAR to the Commission

Source of change

Review of Thresholds

Action and who will benefit

All registered charities with income over £10,000 must send their accounts and TAR to the Commission every year.

The Threshold review recommends that this should be raised to £25,000.

Estimated cost savings

This will not reduce preparation costs.

It would mean that 23,000 charities would no longer have routinely to submit accounts/TAR. On the assumption that it would save a small amount of time plus postage costs and so on we estimate this would save around £100,000 a year.

Milestones/Deadlines for delivery

The full saving will be realised on implementation of the recommendation in the thresholds consultation from the beginning of 2009/10.

Issue 10: Charity Tribunal

Source of change

Charities Act 2006

Action and who will benefit

A new Tribunal to provide charities with cheaper and easier way to challenge the Commission's legal decisions.

It will benefit all charities that feel they have grounds to challenge such decisions.

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.

More details of the work of the tribunal can be found on its website at:

<http://www.charity.tribunals.gov.uk/>

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 do so without legal representation.

Estimated cost savings

The shortage of cases under the current system means we cannot produce a meaningful average cost. The Regulatory Impact assessment for the Charities Bill said there had been only 2 recent cases. One was said to have cost the charity £200,000.

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.

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.

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 decisions.

Milestones/Deadlines for delivery

The Tribunal was established in early 2008. It has jurisdiction in respect of Charity Commission decisions made on or after the 18th March 2008.

Issue 11: Improved guidance

Source of change

Commission action taking account of BRTF Report

Action and who will benefit

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.

Estimated cost savings

At this time, we do not believe it is possible to make meaningful estimates of the financial benefits of this programme of improvement.

But we will assess the impact of our guidance by analysis of future work streams.

Milestones/Deadlines for delivery

This will be an ongoing process. To address standards, we have style guides on structure and style and on design which ensure we have consistent, good quality publications. We also seek accreditation from the Plain Language Commission for key publications.

We have updated all Charity Commission publications affected by the 2006 Act in time for the implementation of the relevant provisions.

We reviewed and redesigned all other key publications by a revised target of March 2008, reflecting issues arising from the adjusted timetable for implementing the 2006 Act.

We aim to review each key piece of guidance at least once every three years and to continue to seek feedback from our Customer Network and other stakeholders on the changes we make.

Annex 5 - Details of additional costs

Initiative 1: 2006 Act provisions to ensure that currently excepted and exempt charities are subject to modern standards of accountability and transparency

Action and who is affected

The key effects will be:

1. Currently excepted charities will have to register if their income is over £100,000.
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.

We estimate that this will mean around 5,350 such charities will have to register.

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.

Previous Plans have assumed that currently exempt Foundation and Voluntary schools would have to register. However, the Commission and the Office of the Third Sector are now in discussion with the Department for Children, Schools and Families to identify the best way of dealing with them in a different way. This year's plan therefore assumes that they will not need to register.

Estimated cost

1. Registration. The current timetable should see all of these charities registered by May 2010.
2. TAR and AR preparation. Both will be an annual requirement.

The costs of preparing Trustees Annual Reports will be £1.9 million a year.

The costs of preparing Annual Returns will be around £180,000.

This will bring an additional **total Admin Burden cost of £2.1 million.**

Timetable for Introduction

Excepted charities are expected to have to register from 1 October 2008.

Registration for affected exempt charities will follow within a year.

Initiative 2: Changes to accounting and reporting provisions for charitable companies

Action and who is affected

A number of changes have been made. More details can be found in the Office of the Third Sector's consultation document and impact assessment.¹⁰

They include:

- Harmonising the audit and independent examination requirements for company and non-company charities, by applying the Charities Act audit or examination requirements to small company charities.
- Providing a statutory framework for the preparation and filing of group accounts. Group accounts are already recommended by the charity Statement of Recommended Practice, and are generally accepted practice in the sector.
- Use of trustees' annual reports to report on charities' public benefit (see next item below for more details).

Estimated cost

The Impact Assessment, based on AB figures estimates the additional costs as:

- i. Harmonisation: £50,000 (this relates to small charitable companies that are not currently required to have their accounts externally scrutinised but will have to do so under the Charities Act accounting regime).

- ii. Group Accounts: **£700,000.**

Total: £750,000 a year

Timetable for Introduction

Changes made to apply to financial years beginning on or after 1 April 2008.

¹⁰ This can be read at http://www.cabinetoffice.gov.uk/third_sector/law_and_regulation/implementation.aspx

Initiative 3: Public Benefit reporting

Action and who is affected

The Commission has consulted on our approach to Public Benefit reporting and more details can be found at:

<http://www.charity-commission.gov.uk/publicbenefit/default.asp>

Our proposals were based on registered charities making such reports as part of their Trustees Annual Report.

The cost estimates are taken from the Impact assessment in the consultation document mentioned above.

Estimated cost

We have estimated that charities below the £500,000 audit threshold will be able to make Public Benefit reports by adjusting the way they report at the moment. This should not involve any additional burden.

For charities above the audit threshold we estimate a 10% – 15% increase in reporting costs for a total cost of £750,000 a year.

Timetable for Introduction

Changes made to apply to financial years beginning on or after 1 April 2008.

Annex 6 - Charity Commission Regulatory Reform proposals with Cabinet Office for consideration

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:

- 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.

No detailed cost analysis or RIA has been prepared at this stage.

There would be savings for charities making use of the measures.

The Cabinet Office will consider implementation via Regulatory Reform Order after the implementation of the 2006 Act and the consultation on financial thresholds.

Notes

This publication can also be accessed at the Charity Commission's website: www.charitycommission.gov.uk

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Supplied by Linney Group.
xxxxxx xx/2008

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