

## The implications of the Charities Act 2006 for Church of England Parishes?

This short summary covers the main ways that the Charities Act 2006 affects PCCs.

### **1. Registration of Larger PCCs**

The effect of the changes the Act will make in relation to charities which are currently 'excepted' from registration will be to require PCCs with an annual income over £100k to register with the Charity Commission.

The Archbishops' Council is working with the Charity Commission to agree the simplest possible process for registration. PCCs who will need to register should wait until this process is available. This process will include agreeing with the Commission an approved governing document which will avoid individual PCC applications having to pass the public benefit test.

Registration is not expected to be required until 2008.

### **2. Increased Audit Threshold**

The threshold for requiring an audit rather than independent examination has been raised. Accounts will have to be professionally audited if the PCC has:

- a gross annual income over £500k; or
- an aggregate value of assets over £2.8 million and gross annual income over £100k

Below this threshold an independent examiner can be used instead of an auditor. However, if the income is above £250,000 then the independent examiner must have an appropriate accountancy qualification.

The requirement for accounts to be audited in the two years subsequent to a year where the audit threshold was passed has been removed.

This provision is expected to apply from Accounts for the year 2007 onwards.

### **3. Trustee indemnity insurance and trustee benefits**

The Act gives charity trustees two new powers, which may be of help to PCCs. The first allows them to pay for trustee indemnity insurance out of a charity's funds without the prior consent of the Charity Commission, provided that certain requirements are met. The second allows charity trustees and persons connected with them to receive remuneration for services provided to the charity, even without prior authority from the Commission, again provided certain requirements are met. However, the power does not apply to remuneration under a contract of employment.

### **4. Provisions relating to charitable trusts**

The Act confers a number of powers on trustees of charities which may be of assistance to PCCs in relation to charitable trusts of which they are the trustee. They include wider powers to transfer property to other charities, to replace their purposes, to modify their purposes and procedures and to spend capital.

These provisions are expected to come into force at different dates between early 2007 and early 2008.