CHARITY COMMISSION
FOR ENGLAND AND WALES

Charity Commission Annual Report and Accounts

2020-21

Presented to Parliament pursuant to section 13 and paragraph 11 of Schedule 1 of the Charities Act 2011

Ordered by the House of Commons to be printed on 15 July 2021

HC 424

Charity Commission Annual Report and Accounts 2020-21
(For the year ended 31 March 2021)

Annual Report presented to Parliament pursuant to section 13 and paragraph 11 of Schedule 1 of the Charities Act 2011

Accounts presented to the House of Commons pursuant to Section 6(4) of the Government Resources and Accounts Act 2000

Accounts presented to the House of Lords by Command of Her Majesty

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Contents

Part 1 Chair's foreword

This year has been marked by the extraordinary challenges posed by the COVID-19 pandemic. As the year comes to close, and with restrictions on normal life gradually being lifted, the impact of the pandemic on the sector is starting to become clearer. Many charities have seen significantly reduced income and many have had to look to their reserves. Some sectors, in particular the Arts, have been deeply affected by the loss of income caused by closures and cancellations. Charities have faced difficult decisions, and many have responded with ingenuity and by collaborating with others.

The Charity Commission has responded to the pandemic in a number of ways, including moving quickly to register charities seeking to contribute to the pandemic response and by offering the opportunity for charities to apply to postpone filing their annual reporting, something used by nearly 5,000 charities. We have also alerted charities to the risk of fraud in the context of the pandemic. A number of charities have sought to amend their purposes to contribute to the pandemic response, and we have facilitated that.

The Commission has also continued, very largely with effective remote working, the full range of its activities. It has executed the second year of its strategy, seeking to be more open for business and a more professional organisation. In September 2020, the Commission launched an improved online public Register of Charities making significant improvements in the data on charities which is easily available to the public. We have also sought to improve the resources available to trustees, including publishing 5-minute trustee guides in November, which cover the 'core syllabus' of charity governance that all trustees need to know.

The Board joins me in thanking everyone at the Commission for their dedication and hard work through this most difficult year.

In February 2021, Baroness Tina Stowell completed her term as Chair. She was the driving force behind the review which led to our new strategy, and she articulated a role for the Commission in defending and protecting public expectations in this area. Baroness Stowell was, throughout her term, clear that the Commission should seek to improve the quality of its services and the robustness of its regulatory responses. We thank her for her vigorous and determined work for the Commission.

Ian Karet, Chair

Chief Executive's foreword

The past year has been one of unprecedented challenge for all parts of society, not least the sector we regulate. But it has also highlighted how tightly the work of charities is woven into the fabric of every part of society. Charities have provided life-saving services throughout the pandemic and, in myriad ways, have helped alleviate the strain that the pandemic has placed on individuals and communities.

But the sector has also been under significant pressure, and the Charity Commission has responded accordingly. A key priority in this context was to reduce, where possible, short-term regulatory burdens or hurdles that may have impacted charities' ability to respond to urgent need. We, prioritised applications from organisations set up to address challenges arising from the crisis, published guidance to help trustees respond to common issues, including the use of reserves and holding AGMs and we helped to repurpose over £21m of dormant funds to assist charitable causes.

Amidst the upheaval, the pandemic has reinforced the vital contribution charities make to public life and the power charity has to harness society's goodwill and generosity for the benefit of all. We have seen from the innovative and engaging responses of the public during the pandemic, that our collective charitable impulse runs deep – from organisations such as St John Ambulance and the RVS enrolling local volunteers to help distribute the COVID vaccine to the fundraising efforts of the late Captain Sir Tom Moore.

The Charity Commission plays a crucial role in upholding trust between charities, the public and the state. Like all parts of society, we have been working in the context of considerable uncertainty and disruption over the past year. But this

backdrop has only served to underline the clarity of purpose that has continued to inform our work this year. We continue to be guided by the public interest in everything we do. It has guided our response to the pandemic, our work helping charity trustees in their roles, as well our role in preventing, detecting and responding to wrongdoing in charities.

During this, the second year of implementing our strategy, a priority for the Commission was to be 'open for business'. Ensuring that all our potential customers – members of the public raising concerns, people looking to register charities, trustees looking for guidance – receive a service that is not just efficient and of high quality but also easy to access. Before the new financial year began, the Commission had moved to pandemic-enforced remote working. Thanks to improvements rolled out during 2019-20, including in our IT infrastructure, this was seamless, and it was exemplified by the uninterrupted service our Contact Centre has provided throughout the pandemic.

Another significant element of being 'open for business' has been improving our online guidance to ensure it better meets the needs of trustees. As part of our longer-term strategy to improve the way we communicate with trustees, we launched a campaign aimed at helping trustees who are making difficult decisions often under pressure to be ‘certain in uncertain times’.

The second theme of our business plan for this year was ‘building a better, more professional organisation’, ensuring that we have the skills and expertise we need. Over the past year, we have completed an organisational restructure and attracted new expertise across our teams – from intelligence, policy and communications to investigations. This has included the creation of a Chief Operating Officer role, intended to strengthen the organisation by driving forward internal improvements, including by leading on our business and financial planning and delivering our continued business transformation programme.

Alongside our improvement programmes, we have also continued to work with partners to help prevent wrongdoing and harm in charities and we have responded robustly and confidently where we have found concerns. We have dealt with several high-profile cases into individual charities this year. In June 2020, we concluded our inquiry into RNIB, finding that mismanagement at the charity had exposed some children in the charity’s care to harm and undue risk. In August, we liaised with Trading Standards colleagues to look into the reports of the Kingdom Church GB selling ‘plague protection kits.’ We followed this up by opening a statutory inquiry into the charity to examine the trustees’ compliance with their legal duties, particularly around the management of finances.

I am immensely proud of the achievements of our staff during this most challenging time and thank them for their fortitude in delivering on our plan and for the support and kindness they have shown each other. The past year has reminded us that their expertise and commitment is our most precious asset.

As we enter the third year of our current strategy, the challenges facing the Commission and the charities we regulate are significant. Charities see ever increasing public scrutiny, as expectations of accountability, transparency and probity in all institutions grow. But the year ahead also presents an opportunity for charities. The sector will form a crucial part of the recovery from the pandemic and the public should become more aware of the critical role charity plays in every community. The Commission’s task is to remain sure-footed in our approach as we continue to regulate in the public interest.

Helen Stephenson, CBE
Chief Executive

Part 2a Overview

The role of the Charity Commission

The Charity Commission is the registrar and regulator of charities in England and Wales. We are an independent, non-ministerial government department accountable to Parliament. We are also accountable for the exercise of our powers to the First-tier Tribunal and the High Court.

As registrar we are responsible for maintaining an accurate and up-to-date register of charities. This includes determining whether organisations are charitable and therefore should be registered, as well as removing those that are no longer considered to be charities, have ceased to exist or do not operate. As a regulator we regulate both registered charities and charities that are not required to be registered.

We operate within a clear legal framework and follow published policies and procedures, ensuring that in making regulatory decisions we are proportionate in our approach.

At 31 March 2021, there were more than 169,000 charities on the register. During the financial year 2020-21, we regulated £84.1 billion of charity income (2019-20: £81.2 billion) and £82.3 billion of charity spend (2019-20: £78.7 billion).

Our statutory objectives

Parliament, through the Charities Act 2011, gives us five statutory objectives. These are to:

1. Increase public trust and confidence in charities
2. Promote awareness and understanding of the operation of the public benefit requirement
3. Promote compliance by charity trustees with their legal obligations in exercising control and management of the administration of their charities
4. Promote the effective use of charitable resources
5. Enhance the accountability of charities to donors, beneficiaries and the general public

We have wide discretion in how we achieve our objectives.

Our purpose

In October 2018, we published our Statement of Strategic Intent for 2018-2023. At the heart of this strategy is our purpose:

To ensure charity can thrive and inspire trust so that people can improve lives and strengthen society.

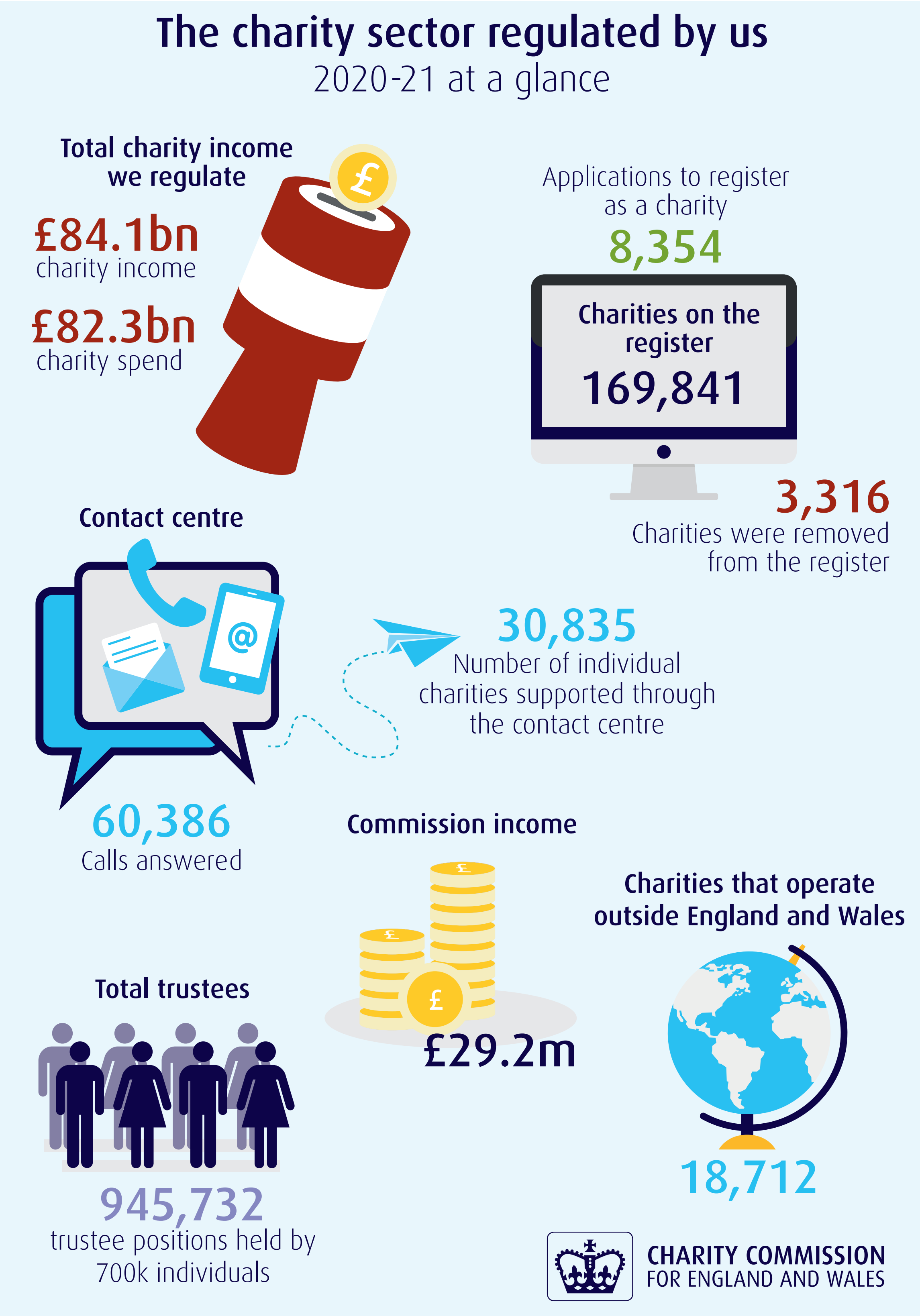
Our purpose drives and informs everything we do, including how we exercise our core functions and meet our statutory objectives.

Our regulatory approach

Our Statement of Strategic Intent makes clear that, while Parliament granted us the statutory objectives listed above, including to increase public trust and confidence, our purpose is more than the sum of our legal obligations.

We are clear that regulation is a means to an end, not an end in itself. To command the public’s confidence and satisfy Parliament that we are discharging our responsibilities, the Commission has to demonstrate that its purpose is relevant to people’s lives. That is why our strategy articulates our focus by setting out what we stand for and where we want to get to as a regulator over the next five years.

Our strategy says that, to be the effective regulator that the public demands and the sector requires, we must do all we can to ensure that charities show they are being true to their own purposes, can demonstrate the difference they are making, and meet the high expectations demanded by the public. All charities are custodians of what it means to be a charity in the eyes of the public and so are we.



OVERVIEW

Our quasi-judicial functions

As the charity registrar and regulator, we carry out quasi-judicial functions, regulating against both the common law and statutory obligations which govern charities. We adopt a rigorous approach in the exercise of our powers, act fairly and proportionately and give reasons for our decisions. Where the law is dated, unclear or imprecise, we approach our work in a way we think the courts would. The common law is developed by the courts in the light of changing social and economic conditions and values, and we recognise this in our decisions. The exercise of many of our legal powers can be appealed to the First-tier Tribunal and as a public authority our decisions are subject to judicial review in the High Court.

Decisions on charitable status and registration, the use of our powers to give formal advice and permissions, our compliance work, dealing with investigations, taking remedial action against defaulting trustees and those who abuse charities, are all subject to appeal or review in this way.

Some case reports are included within the Legal Annex to this report.

Our governance

While day-to-day and operational management is delegated to our Chief Executive, our Board is ultimately responsible for all that we do.

This includes:

- Our purpose and strategy
- Our overall performance
- Our values, integrity and reputation
- How we meet our statutory objectives and use our legal powers
- Our business direction and planning
- Our executive leadership team's performance, governance standards and delivery against plans

Our Board pays particular attention to:

- Maximising our impact and effectiveness
- Identifying and managing risks
- Maintaining our independence from government and the sector we regulate
- Making sure we use public funds prudently
- Making sure we act fairly, responsibly, transparently, proportionately and ethically

Until 26 February 2021, Baroness Stowell MBE was our Chair. From 27 February 2021, Ian Karet was appointed as our Interim Chair, while the appointment process for a permanent Chair is conducted. Helen Stephenson CBE is our Chief Executive, having been appointed to that role in July 2017.

Alongside the Chair and CEO, there are currently seven non-executive members of the Commission's Board. In 2020-21, in addition to the departure of the Chair, Mike Ashley departed the Board in October 2020 while Will Lifford was appointed to the Board in January 2021. Kenneth Dibble was reappointed for a one-year term in February 2021.

For more information about the Commission's governance, see the Accountability Report.

Our resources

In 2020-21 our revenue budget was £29.2 million of which we spent £28.8 million. This was largely funded by HM Treasury. We employed 443 staff on 31 March 2021 (including board members). The Commission is structured in the following directorates:

- Communications and Policy
- Digital, Data and Technology
- Legal and Accountancy Services
- Regulatory Services
- Resources

While the majority of Commission staff have spent large periods of 2020-21 working remotely, due to the COVID-19 pandemic, we do operate across four sites in Liverpool, London, Newport and Taunton. Our Newport office operates bilingually in Welsh and English.

Part 2b Performance Analysis

Operational Performance – summary

This year, we have performed our key statutory functions robustly and effectively, in circumstances we could not have envisaged. We have continued to work with determination and resilience to deliver the second year of our strategy. At the start of the year, we set ourselves two priorities: being open for business and a being a better, more professional organisation. With the subsequent onset of the global health emergency, we added a third priority, responding to the COVID-19 pandemic.

Being open for business

During 2020-21 we, like everyone, were presented with unprecedented challenges – both as a regulator and as an employer. Against this backdrop, we have consolidated the progress we made in 2019-20 and continued to improve the quality of service we provide, aiming to ensure that anyone can contact us and receive an efficient and effective service.

Central to being open for business was the continuous service offered by our Contact Centre. Within days of the initial lockdown, we were able to move our Liverpool-based Contact Centre to a fully remote working arrangement. This meant that the service has remained open, answering calls and providing support and advice to charities, every working day since the pandemic response started – ensuring that busy trustees receive the advice and support they need, when they need it.

The continued investment and increase in the capacity of our Contact Centre has resulted in us answering 95% of all calls in 2020-21 (90% in 2019-20). We received over 60,000 calls and answered 80% within 120 seconds helping us to support over 30,000 unique charities since March 2020.

Our approach to whistleblowing has continued to evolve. The successful pilot approach adopted in 2019-20 has been consolidated into our core business and our relationship with the whistleblowing charity Protect has continued. Protect provides a dedicated, independent and confidential whistleblowing helpline giving whistle-blower support and guidance, enabling it to report wrongdoing in charities to the relevant authorities. Whistleblowing reports to the Commission rose to 379[1] in 2020-21 (2019-20: 247).

We concluded 4,712[2] regulatory action cases this year (6,246 in 2019-20). Of these, 64[3] were statutory inquiries, our most serious type of regulatory engagement. This compares to 181 statutory inquiries concluded in 2019-20, following a concerted effort to close a number of long-running inquiries. We opened 59 new inquiries this year. Among the more high-profile investigations opened during the year were the Kingdom Church GB, Islamic Research Foundation International and the National Equine Training Trust.

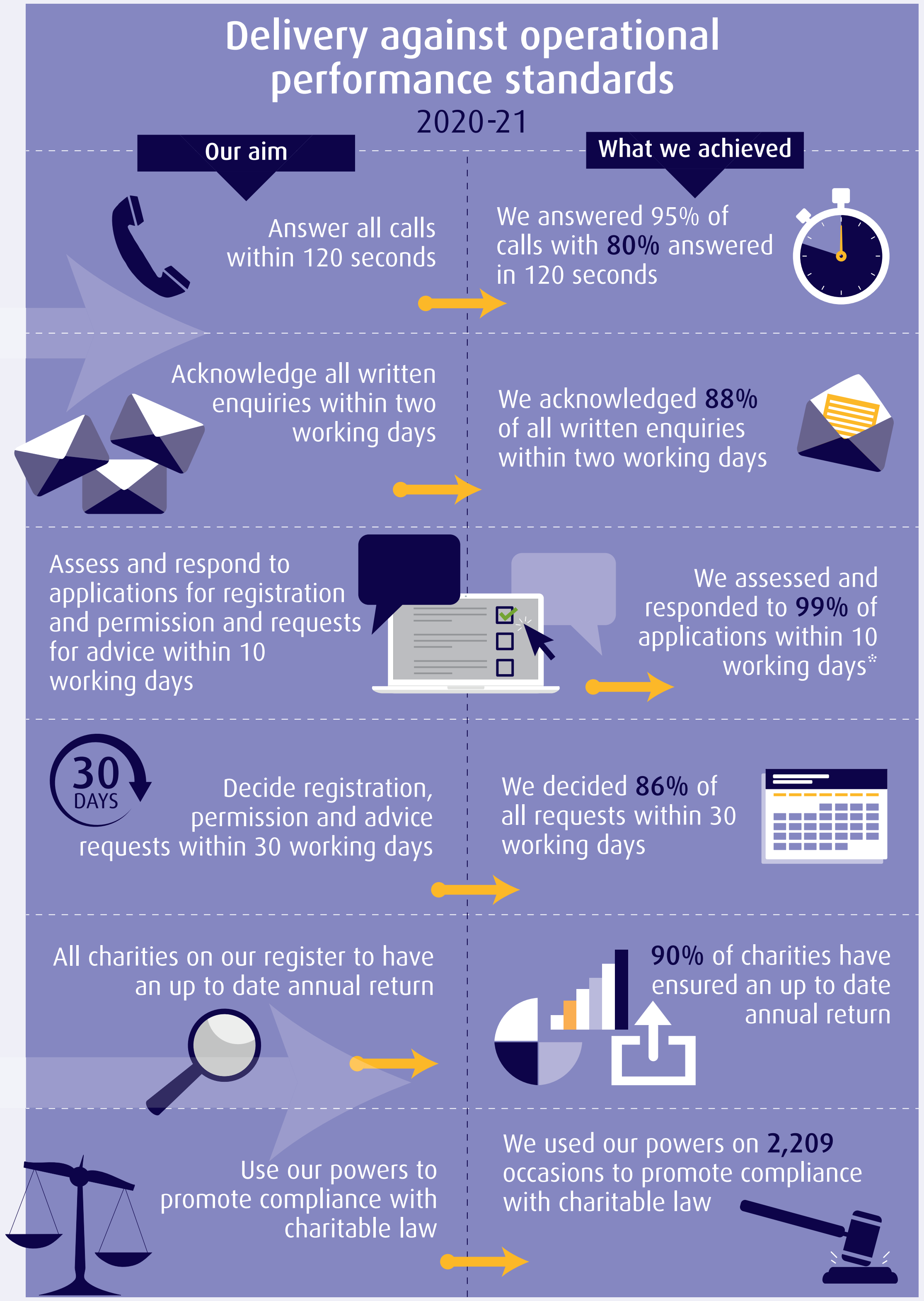
During 2020-21, we received 8,354 applications (8,329 in 2019-20) to register a charity. On average, 60% of applications resulted in successful registrations of new charities, demonstrating that our processes involve robust scrutiny. With improved systems and a more outcome focused approach, we have reduced the average time to register all charities to 45 working days from 65 working days in 2019-20. Excluding the highest risk registration applications, we make decisions within 39 working days compared to 57 working days in 2019-20.

1. 1 April 2020 to 31 January 2021.
2. 1 April 2020 to 31 January 2021.
3. 1 April 2020 to 28 February 2021.

PERFORMANCE ANALYSIS

We used our powers 2,209 times this year (1,962 in 2019-20). Among the powers we use most often are those that help us establish whether wrongdoing has taken place, including powers that allow us to direct charities or third parties to provide documents, accounts or statements. We also used our power to issue a charity with an Official Warning on 25 occasions (31 in 2019-20), and our power to disqualify a trustee 16 times (32 in 2019-20).

Building on the foundations laid in 2019-20, with the introduction of a new online form, we have continued to strengthen our approach to dealing with reports of serious incidents. In 2020-21, we assessed promptly 4,308 new reports submitted to us by charities. Over the course of the year, we have received 425 reports of serious incidents related specifically to the pandemic with the most common issue being concerns about long-term financial sustainability, disruption or closure of services or suspension of a charity's activities. In the coming year, we are improving the online form to allow charities to submit multiple incidents on a single form. This will not only reduce the regulatory burden on charities but will also allow us to better assess emerging regulatory themes and issues, enabling us to respond proactively.



* this is based on available data from 1 April 2020 to 28 February 2021

PERFORMANCE ANALYSIS

Being a better, more professional organisation

This year, it was important for us to strengthen the organisation and bring in internal improvements to match the external improvements we had made in 2019-20. A key part of this was the successful implementation of our Organisation Design programme. We have aligned our functions to enable us to better deliver our purpose and strategy and improve our efficiency and effectiveness. Our workforce has become more flexible, enabling us to meet changing business demands and priorities, not least as we have continued to operate through multiple periods of lockdown.

During 2020-21, we welcomed new people into the Commission, who have brought with them a wealth of expertise to our diverse functions – intelligence, policy, communications and investigations. This new expertise and increased capacity have helped to improve our assessment of, and response to, risks facing the sector, ensuring that we are as proactive as possible, and that we target our interventions where they can make the biggest difference.

This year, we recruited a new Chief Operating Officer to lead our Resources Directorate and drive the work to strengthen our internal functions. We also established a new Intelligence and Tasking team to focus on how we use data and intelligence to become a more effective regulator. This includes refining our understanding of what data we need to collect about charities to help us understand and manage potential risks to the sector and prevent them from escalating. It also strengthens our proactive responsiveness, making us better at uncovering wrongdoing and harm.

Where people have been dissatisfied with our work, we have aimed to investigate and provide a response to these complaints promptly. We resolved a total of 109 complaints about our services or decisions in 2020-21, with 72% of complaints being responded to within 30 working days. We also worked hard to ensure that we respond to Freedom of Information (FOI) requests and letters from MPs efficiently and effectively, with 93% of FOIs and 91% of MP letters being responded to within the statutory timeframes.

Our progress in becoming a better, more professional organisation has been underpinned by important investments to improve and strengthen our IT infrastructure. In March 2021, we implemented our new end-to-end casework system, migrating over 8.7 million records from our existing customer relationship management system, as well as upgrading our core IT systems to better supported versions. We have also taken important steps forward to build the resilience of our systems in terms of cyber security, culminating in the attainment of the Cyber Essentials Accreditation at the end of 2020-21 and Cyber Essentials Plus in April 2021.

Responding to the COVID-19 pandemic

Like so many charities, businesses and public institutions, the Commission's work has been challenged and changed by the pandemic response. As an organisation, we acted swiftly in our initial response to the pandemic, putting in place arrangements to secure the health and safety of our staff and mobilising the workforce to operate remotely. Throughout the year we have supported our staff to continue to work from home and adopted flexible working arrangements as staff have juggled the challenges of home-schooling, COVID-related illness and caring responsibilities.

As a regulator, we adapted our approach to help ensure the sector remained resilient and able to play its part. From the beginning, we regularly engaged with charity representative groups and individual charities to understand the challenges facing the sector. Through these regular conversations, we have been able to hear where the most pressing issues were in the sector, and to respond swiftly and effectively. We wanted to understand and share intelligence about the issues we saw facing the charity sector. As a result, we regularly updated guidance for trustees.

We have sought to reduce, where possible, short-term regulatory burdens that may get in the way of charities responding to urgent need. For example, we introduced a facility allowing charities to apply for a postponement of their annual reporting deadline. As of April 2021, 4,855 charities had taken advantage of this, and been granted an extension. While this is a temporary measure, it has given charities greater flexibility during a time of heightened pressure, allowing them to focus resources and time on imminent priorities, and demonstrates how we have listened and responded to what the sector was telling us.

From the outset of the pandemic, we prioritised applications for charity registration from organisations responding to the pandemic. Of the 8,354 registration applications we received in 2020-21, 138 were directly related to the pandemic response (77 of which were subsequently registered). Among these were Exovent – a charity which creates negative pressure breathing support devices that can help people with diseases that affect their breathing, such as COVID-19; and MailForce - a charity to help support NHS staff, volunteers and care workers in the fight against COVID-19.

Our Permissions team dealt swiftly with casework handling, for example, requests to change a charity's objects in its governing documents (40% of all permission requests), where that was needed to help a charity respond to the pandemic. Overall, in 2020-21, 86% of all applications for registration and permissions or requests for advice were assessed and responded to within 30 working days.

We have published, and regularly updated, guidance for charities on how trustees can respond to common challenges or situations that have arisen because of the pandemic. For example, the guidance covers the use of reserves to manage financial difficulties and gives advice on holding Annual General Meetings during the pandemic.

In April 2020, we worked with the Department for Culture, Media and Sport (DCMS) on the development of the Corporate Insolvency and Governance Act 2020 and its applicability to Charitable Incorporated Organisations (CIOs) as well as charitable companies. The Act helped ensure that these incorporated charities were able to hold Annual General Meetings (AGMs) digitally during the COVID-19 pandemic when it was difficult to meet in person, and it allowed incorporated charities an extended period to hold their AGMs.

Over the past year, our focus has remained constant: to protect the public interest by supporting charities to navigate the challenges brought about by the pandemic, giving them the tools, advice and guidance they need to operate effectively and respond in these difficult times. We have taken robust action where wrongdoing has occurred. We will continue this approach in the period ahead, helping charities to operate effectively to earn public trust and confidence in the way they go about their work.

PERFORMANCE ANALYSIS

Impact of exiting the European Union

Throughout the first nine months of 2020-21, we worked to prepare for the end of the transition period as the UK exited from the European Union (EU). We identified a number of risks and associated mitigations. These were largely related to data preparedness including where our data is stored and if we would be penalised or unable to access the data if EU law did not permit this. Since the exit from the EU, we have not experienced any issues with accessing our data.

Delivering against our strategic objectives

To deliver our purpose, we set five strategic objectives that reflect our role in representing the public interest in charities and are underpinned by how people value charity, their expectations and what we can do to maximise the benefit it creates for society. Our five strategic objectives are:

- Holding charities to account
- Dealing with wrongdoing and harm
- Informing public choice
- Giving charities the understanding and tools they need to succeed
- Keeping charity relevant for today's world

The following section of this report sets out examples of our work against each strategic objective, during 2020-21.

Holding charities to account

Our statement of strategic intent is clear that for charities to live up to their purpose and the high expectations of the public they, at times, need to do more than simply comply with minimum legal requirements. There is a strong sentiment across the public that charities should be distinct from other types of organisation, not just in what they do, but how they do it. They therefore need to be accountable for the privilege of charitable status and the stewardship of charitable resources. We have used our voice to encourage charities to understand and respond to public expectations and to display the behaviour and attitudes that are associated with charitable status.

The importance of good governance

In June 2020, we published our inquiry report into the RNIB. This followed other high-profile failures by household name charities. In recognition of the potential damage to the public's trust in the charity sector should another large charity not deliver in its key responsibilities, we issued a regulatory alert. This reminded large, complex charities that directly support beneficiaries or provide amenities or facilities to the public, of the importance of suitable oversight that takes into account the complexity, scale and nature of their activities, in order to help avoid potential harm to their beneficiaries, finances or reputation.

Promoting financial transparency and securing filing compliance

For all charity trustees, a core duty is to comply with statutory accounting and reporting requirements. There are some charities that are failing to comply, year on year, with this basic requirement. We refer to these charities as 'double defaulters.' In 2020-21, 53 charities were placed into our double defaulter class inquiry with 25 of these charities submitting their outstanding documents. Nineteen charities were identified as no longer operating or having ceased to exist and were removed from the Register. In addition, a further 24 charities complied with their obligations to file their accounts prior to entering the class inquiry.

We have temporarily introduced some flexibility for charities to apply to postpone their annual reporting deadline, while they deal with the immediate pressures brought by the pandemic. However, we expect charities to file in line with the extended deadline.

In March 2021, we ran a pilot of outbound calls with the aim of improving the compliance rate of annual return submissions. We identified 22,367 charities in default and developed an approach designed to encourage trustees to ensure that their charities were meeting their core duty in terms of filing requirements. At the start of the pilot, annual return compliance was 87%, growing to 90% by the end of March 2021 (76% in 2019-20).

Dealing with wrongdoing and harm

Our strategy makes clear that anyone who has serious concerns about the way a charity is being run should feel able to report them to the Commission, confident their concerns will be heard. Our interventions, where required, should be objective and timely. In straightforward enforcement cases, we have said we want to respond more quickly.

Ensuring our investigations make a difference

This year we concluded a number of high-profile and long-running investigations where we took action against individuals who had abused their positions or failed to discharge their duties and to protect charity property. As a result of our inquiry into a charity raising funds to support Rohinga refugees, we removed and disqualified the charity's trustees as a result of their failings and were also able to redistribute nearly £200,000 of their funds to other charities.

In our investigations into Aid Convoy, Afghan Heroes and Orphan Relief Fund and Charitable Trust, we took action to remove and disqualify a number of individuals responsible for misconduct and/or mismanagement in the charities and closed the charities after ensuring that any remaining charitable assets were applied for their intended charitable purposes.

Regulatory alerts

Since the beginning of the pandemic, we have worked directly with the sector and with partners to respond to new risks of harm and wrongdoing facing charities. In April 2020, we issued a regulatory alert, raising charities' awareness that the pandemic had created environments enabling charity fraud, and offering advice to trustees on protecting their charity from falling victim to opportunistic fraudsters.

Tackling fraud in charities

While there is no evidence that charities are at greater risk of fraud or financial crime than other types of organisation, the risk of fraud in charities appears to be growing, costing the sector millions each year. The potential impact of this on the reputation of charity and charities' ability to deliver maximum benefit in pursuit of their causes cannot be ignored. We have a crucial role to play to help charities understand and respond to the threats of fraud and cybercrime. This has become an increased focus with fears that the pandemic may have created more opportunities for those seeking to commit fraudulent activity.

Our annual Fraud Awareness Week, run jointly with the Fraud Advisory Panel (together with a coalition of sector partners), took place in October 2020. The campaign promoted the need for a back-to-basics focus on fraud prevention, with a range of free resources available on the information hub. We shared a webinar, featuring counter-fraud specialists providing thought leadership and practical tips on managing charity 'beyond COVID-19'.

Informing public choice

Charities need the support and generosity of the public to succeed. This means providing people with the information they require to make informed decisions about which charities to support. As the regulator, it is our responsibility to make sure that the information charities provide about themselves is current, accurate and relevant. This information should be easy to access and use. It should allow charities to demonstrate how effective and efficient they are and show the impact they are making. It should also help to identify gaps or duplicated effort in charitable provision which might suggest new initiatives, partnerships or mergers.

A New Register

In September 2020, we launched our new and improved Register of Charities. The Register increases transparency of the sector by displaying more information on employee salaries, income from government contracts and grants, and payments to trustees. It offers, for the first time, a Welsh language version and it has a better search facility to enable users to build queries in a more intuitive way. We have continued to improve the Register display based on the feedback we have received from users. The new Register has provided a strong foundation to use our data to improve transparency and accountability in the charity sector.

Safer giving

The charity sector generates around £84 billion annually which makes it a potential target for criminals – though the number of charity scams appears to be small compared to how much is given safely. We encourage donors to follow simple steps before giving, such as checking the charity register and asking simple questions, to ensure their money reaches the intended beneficiaries.

As people responded generously during the pandemic, we have worked with the Fundraising Regulator and Action Fraud to urge people to give safely to charity, reminding the public that by giving to a registered, regulated charity they can be assured that their funds will be accounted for in line with charity law. We also issued guidance on the simple steps that people could take to make sure donations reached registered charities during Ramadan and Christmas.

Engaging with controversial or divisive issues

We know that people have high expectations of charities, and when their actions cause controversy it is our job to listen carefully to those concerns and take robust action when necessary. In September 2020, we opened a case into the National Trust when we received a significant amount of complaints about the interim report it published, which examined the links between its properties and histories of colonialism and slavery. We concluded that the National Trust did not breach charity law, and so there were no grounds for regulatory action. We took the opportunity to set out, in a blog from our Chief Executive, what is expected of charities when they engage with controversial or divisive issues, and what our role is as regulator when there are questions about a charity's behaviour.

In the blog, we explained the need for charities to be mindful of the impact their actions will have on people on whose support they depend – their beneficiaries, supporters, volunteers, members, donors – and recognise the wide range of legitimate views and sensibilities that exist within the public on whose support all charities ultimately rely.

Giving charities the understanding and tools they need to succeed

Our goal as a regulator is to help charities to fulfil the purposes for which they were established by working with them as well as monitoring them. Our strategy recognises that this requires us to offer charities guidance and support and provide excellent services to them. We want to help trustees get things right and to deliver more benefit to society through charity. This means improving our guidance and ensuring the transactions that charities must complete, such as filing reports and accounts and keeping their register entries up to date, are user-friendly and effective.

5-minute guides

In November 2020, to coincide with Trustees' Week, we published a series of easy to understand, 5-minute guides. These guides are designed to help trustees run their charities in line with the law. The guides cover five key aspects of charity management which represent a 'core syllabus': achieving a charity's purpose; good decision-making; financial oversight; addressing conflicts of interest; and what to file with the Commission. The 5-minute guides are designed with real trustees and real situations in mind.

Being certain in uncertain times

In March 2021, we launched our first trustee campaign to promote the 5-minute guides. The campaign included five animated adverts that prompted trustees to consider their understanding of key responsibilities by posing questions connected to each guide. Our 5-minute guides were highlighted as an easy way for trustees to refresh their knowledge and to help them to be 'certain in uncertain times'. This approach, which recognises the impact the pandemic has had, was well received across the sector.

The 5-minute guides and the trustee campaign demonstrated the significant steps we have taken this year to improve how we support trustees to run their charities effectively. They have also set the tone for how we want to shift our relationship with trustees further, by ensuring that our support and guidance is user-friendly and straightforward for busy trustees to access and use.

Revitalising dormant funds for charities

The Revitalising Trusts programme seeks to release funds from charities that are either inactive, having had no income or expenditure over the last 5 years, or ineffective, having spent less than 30% of their total income over the last 5 years. Since the launch of the programme in 2018 in England, over £50 million has been revitalised to help charitable causes, including charities that are facing financial hardship because of the pandemic.

In 2020-21, we revitalised 291 charities (2019-20: 201), taking the total to 517 since the start of the programme. In addition, we supported the repurposing of £21.3 million of charitable funds (2019-20: £21.4 million). In 2021-22, with funding and support from the Welsh Government, the programme is set to be rolled out in Wales in partnership with Community Foundation Wales.

Keep charity relevant for today's world

Our strategy commits us to lead thinking about how charities can thrive in a changing world. We are shaping the agenda, speaking confidently and authoritatively across government, in Parliament and more widely on charity matters as the expert regulator informed by our experience and data, so that we can support the sector to emerge stronger and more resilient from the pandemic.

Responsible Investments

In January 2021, we announced proposals to consult on revised guidance on responsible investments. The announcement followed the completion of a listening exercise undertaken in 2020 which found, among other things, that the way responsible investment is outlined in our current guidance does not give trustees sufficient confidence that they can consider, or that the Commission supports, financial investments that align with a charity's mission and purpose. The draft guidance was launched for consultation in early April 2021. At the time of completing the Annual Report and Accounts, this consultation is still live.

The impact of the pandemic on the sector

Throughout the year we have sought to understand better and track the impact of the pandemic on the sector, sharing our data and intelligence about the issues that we have seen the sector face.

We have not yet seen significant numbers of charities closing, and there has not been a large number of requests to consider charities merging with other organisations or a sudden increase in the number of charities being removed from the Register. We have, however, seen indicators that there are financial shocks in the system and that the sector's financial resilience is weakening. For example, the number of charities with an income over £500,000 that have no, or negative, free reserves, had increased from 9% in April 2020 to 28% in February 2021.

We know from our emerging data and conversations that many charities have seen demand for their services increase, just as they are having to make difficult decisions to reduce their offer or suspend their work entirely as they grapple with significant reductions in income. However, throughout the pandemic we have also seen clear examples of good practice. We have met with a number of well-known charities to understand the impact of the pandemic and have been presented with evidence of robust planning, clear board involvement and a collective desire to manage charities through the pandemic. What has guided these charities has been a focus on their purpose, their beneficiaries and the reason they were established. We have also seen examples of innovation in the sector, with charities coming together to work in partnership, as well as through the way in which the pandemic has significantly accelerated digital approaches to both fundraising and service delivery.

At this time, the Commission's data is only able to give an early picture of the impact of the pandemic has on charities. It will be some time before we know the long-term impacts of the pandemic on the sector. However, it is clear that charities, and voluntary action more widely, have been a key component of the response to the crisis, and that charities' work and finances have been heavily impacted.

Measuring the impact and effectiveness of our strategy

In 2019-20, the Board agreed a series of impact measures designed to monitor the progress of the Commission as it sought to deliver on our strategy. Each impact measure covers a different aspect of our work or the outcome of that work. Collectively they are designed to show some of the outward benefits to Trustees and the wider public of our progress against our strategic objectives set for 2018-23.

The impact measures address the following areas using the annual surveys of trustees and the general public:

- Trustees' understanding of what public expectations are and the extent to which they take these seriously
- Overall levels of public trust and confidence in charities
- The assurance the public thinks it can draw from registered status & the importance it attaches to that assurance
- Trustees' confidence in the risk-based regulatory model
- Awareness of the Charity Commission and familiarity with its work

After using the results of the 2020 (pre-pandemic) surveys to set a benchmark, the 2021 public and trustee surveys offer the first opportunity to track progress on many of these measures.

Trustees' understanding of what public expectations are and the extent to which they take these seriously

The aim of this measure is to show that an increasing proportion of trustees have a clear understanding of how public expectations should guide their charities and that there should be an increasing acceptance that the onus is on charities to adapt rather than the public where this is not the case.

In 2021, 58% of trustees surveyed say they have a clear understanding about how public expectations ought to shape the way charities go about doing what they do compared with two-thirds (67% in 2020). Only 1 in 6 (17%) say they were unclear, unchanged since 2020. When it comes to where the responsibility lies when charities fall short of public expectations, close to half (46%) of trustees surveyed think the responsibility rests with charities for not spending enough time and trouble understanding those expectations. This compares with 39% in 2020. By contrast less than a quarter (23%) of trustees surveyed say they think responsibility rests with the public for not understanding the complexities and difficulties involved. This is down from just over a third (36%) in 2020. Of those trustees surveyed, assigning responsibility to neither has increased from a quarter (25%) in 2020 to 30% in 2021.

A lower proportion of trustees surveyed say they have a clear understanding about how public expectations should shape charitable operations this year, but a higher proportion say that it is the responsibility of charities to understand those expectations when they do not.

Overall levels of public trust and confidence in charities

This measure tracks public trust and confidence in charities in absolute terms and relative to other professions and institutions. It also seeks to understand the extent to which trust and confidence in charities varies among different parts of the public. The aim is to increase public trust and confidence in charities as per the Commission's statutory objective in this area.

In 2021, trust and confidence in charities among the public has again improved (from 6.2 out

PERFORMANCE ANALYSIS

of 10 to 6.4), though it remains below its 2014 peak (6.7) and the rate of increase has slowed compared with last year. The discrepancy in trust and confidence levels for charities between that part of the population which is more highly educated and in professional work (7.0 out of 10) and that part which is not (5.9 out of 10) remains consistent and significant.

The assurance the public thinks it can draw from registered status and the importance it attaches to that assurance

This measure seeks to understand what inferences the public thinks it can draw from a charity having registered status, whether the Commission has direct power to influence some of these elements or not. The aim is to help understand and manage any gap in expectation between public expectations of regulatory action and what such action can achieve.

In 2021, when asked to choose the three most important aspects of the way a charity operates from a list of factors, 77% opted for a high proportion of the money raised going to those charities are trying to help (down to 2% on 2020), 53% chose operating to high ethical standards (down 1% from 2020) and 51% chose making an impact (down 1% from 2020). These are far in advance of being well-run (34%, down 3% on 2020), treating employees well (18%, unchanged from 2020) and doing work central and local government cannot or will not do (18%, up 2% from 2020). Crucially though between two-thirds (67%) and just over three quarters (78%) of the public have more confidence that charities are delivering on all of these aspects if they have registered status, virtually the same as last year when the range was 69%-79%.

Therefore, the public's view of the most important elements of how charities operate remain unchanged as does the confidence that these expectations will be met if a charity has registered status.

Trustees' confidence in the risk-based regulatory model

This measure aims to assess overall confidence among trustees in the Commission's risked-based model of regulation. The aim is to maintain high levels of confidence among trustees in how the Commission deals effectively with instances of wrongdoing and harm once they have been brought to our attention. We also want to increase the proportion of trustees who are confident in our ability to uncover wrongdoing and harm in the first place.

The proportion of trustees surveyed in 2021, who are confident in the Commission dealing with instances of wrongdoing and harm effectively, once these have brought to its attention, has increased to 95% (90% in 2020). At the same time the proportion of trustees surveyed who are confident in the Commission's ability to uncover wrongdoing and harm in the first place has increased from 74% in 2020 to 85% in 2021.

Therefore, among trustees surveyed confidence remains very high in the Charity Commission's ability to deal with instances of wrongdoing once these have been brought to its attention and confidence has increased in the Commission's ability to uncover these instances in the first place.

Awareness of the Charity Commission and familiarity with its work

This measure monitors the extent to which the public is aware of the Commission and familiar with its work and to see the extent to which this is correlated (if at all) with overall levels of trust and confidence in charities. The aim is that awareness and familiarity should increase over time and should help (or at least not be at odds with) the growth in public trust and confidence in charities.

In 2021, 54% of the public said that they had heard of the Charity Commission and 35% of these people said they know very or fairly well what the Commission does. The comparable figures for 2020 were 53% and 36%.

This suggests that awareness of the Charity Commission and familiarity with its work have stabilised this year. The awareness figure has changed little since 2018 (52%) when it began to be recorded but familiarity has increased in that time from 25%.

Part 3 Legal annex

We are accountable to the courts for our regulatory decisions and this year we have successfully defended a number of challenges to the exercise of our regulatory compliance powers. These include challenges by individuals that the Commission considered were unfit to act as trustees and sought to disqualify from trusteeship.

This Legal Annex gives an overview of some of the main legal developments relevant to our legal framework during the year in the High Court and in the First Tier Tribunal (FTT). It focuses on decisions in which the Court or the Tribunal has considered significant points of law or of the regulatory framework for charities, and which have informed our approach to their regulation.

Supreme Court cases

Lehtimäki and others v Cooper [2020] UKSC 33

The Children's Investment Fund Foundation (UK) (CIFF) had experienced significant governance difficulties following the divorce of the two founding trustees and members – Ms Cooper and Sir Christopher Hohn. To resolve these difficulties, they agreed that CIFF would make a grant of US$360m to a new charity set up by Ms Cooper. Sir Christopher and Ms Cooper would also pay US$40m each to the new charity, and Ms Cooper would resign as trustee and member of CIFF. The trustees of CIFF wished to surrender their discretion to approve the grant and applied to the High Court for its approval in their place.

The High Court had confirmed that the grant required approval by the members of CIFF (s217 Companies Act 2006) which in turn required the approval of the Charity Commission (s201 Charities Act 2011 (the 2011 Act)). The High Court held that the grant was in CIFF's best interests and exercised the trustees' discretion to approve the grant, and that members of CIFF owed fiduciary duties to act in the best interests of CIFF and not to act under a conflict of interest.

Dr Lehtimäki was the only unconflicted member of CIFF. The Court held that Dr Lehtimäki would not be acting in the best interests of CIFF if he voted against the proposal and directed him to vote in favour of it. Dr Lehtimäki appealed to the Court of Appeal, which held that a member of CIFF owed a fiduciary duty corresponding to the duty specifically imposed on members of CIOs by s220 2011 Act; and he Court had no power to direct the member of CIFF to vote for the grant because there was no evidence that the member was acting (or proposing to act) in breach of duty.

Ms Cooper appealed to the Supreme Court (UKSC). The UKSC dealt with two principal issues. First, the UKSC confirmed that Dr Lehtimäki, as a member, was a fiduciary in relation to his exercise of the s217 power. Lady Arden held that the fiduciary duty was owed not to the charity (i.e. CIFF) but to its purposes. However, the Court found that the circumstances in which a member of a charitable company has fiduciary duties, and the content of those duties, must be determined on a case-by-case basis. Second, the UKSC unanimously agreed (with differing reasons) that the Court could direct members of CIFF how to vote as they were subject to the Court's inherent jurisdiction with respect to charities. The majority found that once the Court had decided that the transaction was in the charity's best interests (following the trustees' surrender of discretion), that question was finally resolved, and the member no longer had a free vote. The fiduciary was obliged to use their powers to implement the Court's decision. It would be a breach of duty not to follow the Court's decision.

High Court cases

R (Z and Another) v Hackney London Borough Council & Another [2020] UKSC 40

The Agudas Israel Housing Association (AIHA), a charity, had arrangements with the relevant local authority (the Council) to make properties available as they become vacant to house people who had applied for social housing. AIHA held less than 1% of the total social housing stock in the Council's area and its charitable objects included the provision of housing, accommodation and assistance primarily for the benefit of the Orthodox Jewish community. The claimants were on the Council's housing list and were due to be re-housed in the first available suitable property. A number of AIHA properties then became available but AIHA did not house the claimants there since they were not part of the Orthodox Jewish community.

The claimants applied for a judicial review of the Council's and AIHA's decisions on grounds of direct discrimination. The claims were dismissed in both the High Court and the Court of Appeal and the claimants appealed to the Supreme Court (UKSC).

The defendants accepted that the allocation policy discriminated on grounds of religion or belief but relied on exemptions in s158 Equality Act 2010 (the 2010 Act) (positive action to address inequality) and s193 2010 Act (which allows charities to restrict benefits to certain groups of people).

The UKSC dealt with three arguments by the claimants. First, the claimants argued that the lower courts had misdirected themselves on the question of proportionality under ss158 and 193 by not considering a series of European Court of Human Rights cases which ruled out approaches in respect of equality of outcome (rather than equality of opportunity) in the context of employment. The UKSC rejected this approach in the context of social housing provision and said that the conventional approach to proportionality applied and the lower courts had correctly applied this.

Second, the UKSC held that AIHA's housing allocation policy did not involve unlawful discrimination on grounds of race or ethnic origin contrary to Council Directive 2000/43/EC (the Race Directive) since it involved differentiation on grounds of religious observance which was not prohibited by the Race Directive.

Third, section 193(2) of the 2010 Act provides that a charity does not contravene that Act if it restricts the provision of benefits to persons who share a protected characteristic and this is in in pursuance of a charitable instrument, and the provision of the benefits is either a proportionate means of achieving a legitimate aim, or for the purpose of preventing or compensating for a disadvantage linked to the protected characteristic.

The UKSC found that the charity's allocation policy was proportionate and lawful under s193(a) and (b) (and s158) of the 2010 Act. The legitimate aim included the minimisation of disadvantages connected with members of the Orthodox Jewish community's religious identity; the countering of discrimination they suffer (including in the private housing market); and the fulfilment of relevant needs particular to that community.

This is the UKSC's first ruling on positive action under the 2010 Act.

LEGAL ANNEX

HM Attorney General v (1) Zedra Fiduciary Services (UK) Limited (2) Diana Bruce (3) John Stidworthy [2020] EWHC 2988 (Ch)

The National Fund was a charity set up in 1928 and at the time of the judgment valued at approximately £520 million (approximately 0.007% of the National Debt). Its trusts directed the trustees to accumulate income and profits until the date fixed by the trustees as being the date when, either alone or together with other funds then available for the purpose, it was sufficient to discharge the National Debt. When that point was reached, the fund was to be transferred to the National Debt Commissioners to be applied by them in reduction of the National Debt.

The Attorney General applied to the Court for directions seeking the application of the fund to the reduction of the National Debt arguing that there was a valid charitable trust. Zedra Fiduciary Services (UK) Limited was the trustee and supported that there was a valid charitable trust but disputed that the Court could (or alternatively should) order that the fund be applied to the partial reduction of the National Debt. The second and third defendants contended that the trust was invalid.

The Court held that:

- The trust deed (the Deed) created a valid charitable trust with the principal purpose of benefitting the nation by accumulating a fund that would in time be applied (either alone or with other funds then available) in discharge of the National Debt, and the subsidiary purpose of benefitting the nation by applying part of the National Fund in reduction of the National Debt, if the trustees determine that national exigencies required it.
- The Deed effected an immediate and unconditional gift to charity (such that there was no condition precedent to the coming into existence of the charitable trust).
- The Court has jurisdiction to make a scheme altering the charitable trust pursuant to its cy-près jurisdiction because: (a) the original purposes of the charitable trust cannot be carried out and have ceased to provide a suitable and effective method of using the trust property; (b) this constitutes a case of subsequent (and not initial) failure of the charitable purposes; and (c) the settlor intended to give the property out-and-out for the specific charitable purposes identified in the Deed.
- The Court did not have jurisdiction to make a scheme altering the trusts of the charity under its administrative jurisdiction. Any scheme which permitted the National Fund to be applied in reduction (but not discharge) of the National Debt or for any other purpose would involve an alteration in the original purposes of the trust. This cannot be achieved by an administrative scheme.
- The question whether the Court should make a scheme under its cy-près jurisdiction, for the transfer of the National Fund to the National Debt Commissioners for the reduction of the National Debt or for some other, and if so what, charitable purposes would be deferred to a subsequent hearing.

The case is based on an unusual set of facts and whilst the case does not establish new principles of law, it is an example of how the court will apply the principles of interpretation of trusts, and failure of charitable trusts, in deciding whether to exercise its cy-près jurisdiction.

First Tier Tribunal Cases

Dr Zakir Abdul-Karim Naik v Charity Commission (CA/2019/0014/V)

The Commission had made a disqualification order in relation to Dr Zakir Abdul-Karim Naik under s181A of the Charities Act 2011 (the 2011 Act), relying on Condition F – that any other past or continuing conduct by the person, whether or not in relation to a charity, is damaging or likely to be damaging to public trust and confidence in charities generally or in the charities or classes of charity specified or described in the order. Dr Naik appealed to the First-tier Tribunal.

Dr Naik was the founding chairman, a director and charity trustee of the charitable company Islamic Research Foundation International (registered charity 1122086). The charity was established in 2007, primarily for religious and educational purposes and purposes concerned with the relief of poverty and distress. The charity's activities included the raising funds for the Peace TV network, which broadcast religious television programmes from an Islamic perspective.

In 2010, the Home Secretary directed that Dr Naik be excluded from the UK on the grounds that his presence would not be conducive to the public good. The Home Secretary took the view that Dr Naik had engaged in unacceptable behaviour, namely making 11 statements between 2002 and 2007 that attempted to justify terrorist activity and foster hatred. Dr Naik challenged his exclusion, and his challenge was rejected by the High Court in 2011 and by the Court of Appeal in 2012. In February 2019, the Home Office confirmed that, as far it was concerned, Dr Naik remained excluded from the UK.

In addition to these 11 statements, the Commission relied on statements made by Dr Naik in two programmes broadcast in 2012 and 2019 by the Peace TV network which both resulted in Ofcom finding that the Ofcom Broadcasting Code had been breached.

Dr Naik's primary ground of appeal was that, as a matter of law, the conduct relied upon by the Commission was outside the scope of Condition F. He contended that the "past or continuing conduct" referred to in that Condition must be conduct that has occurred or been continued after 1 October 2016 (the date on which s181A 2011 Act came into force).

The Tribunal rejected this argument and found Condition F satisfied. Whilst it acknowledged that some of the conduct happened many years ago, and none was in Dr Naik's capacity as a trustee, it was satisfied that the circumstances in which it occurred, and its seriousness, were such that it is likely to be damaging to public trust and confidence in charities generally. It stated that where a person's conduct is such that Condition F is satisfied, they are likely to be unfit to be a trustee generally and it is very likely that disqualifying that person will be desirable in the public interest in order to protect public trust and confidence in charities.

In considering the duration of the disqualification order, the Tribunal referred to the Commission's Explanatory Statement regarding the discretionary disqualification power, which sets out the Commission's approach when using the power. By following that and its own process, the Tribunal decided that the proportionate disqualification period was seven and a half years, not 15 years.

This case is noteworthy because it is the first time that the Tribunal has considered Condition F so it provides some guidance about how such cases would be dealt with in the future. It also makes clear that when relying upon Condition F the Commission can take into account conduct that

LEGAL ANNEX

took place prior to the introduction of the power in 2016.

Adnan Ali Khan v Charity Commission (CA/2019/0020/V)

The Commission had made a disqualification order in relation to Mr Adnan Ali Khan under s181A of the Charities Act 2011 (the 2011 Act), relying on Condition D – that there had been misconduct and/or mismanagement in the administration of the charity for which Mr Khan was responsible. Mr Khan appealed to the First-tier Tribunal.

The details of the events which led to the disqualification are complex. Mr Khan was a trustee of two charities; Idaara Maarif-E-Islam (registered charity 506755) from 1 October 2013 to 14 June 2014 and from 7 June 2015 to 11 November 2018 and (under another name) The Voice of Truth (registered charity 1094754) (TVOT) from 1 January 2017 to 12 March 2017. TVOT was removed from the register on 29 January 2018 on the basis that it no longer operated. Mr Khan was also a director of TFK Ltd (company number 09434496).

Between September 2014 and May 2017 payments totalling over £80,000 were made from TVOT's bank account to accounts in the name of Mr Khan, TFK Ltd, Ali Khan, A Khan, Raja Ali, A Ali Khan, Edhnan Kiyanyy and E Kiyanyy. A person by the name of Edhnan Kiyanyy was a trustee of TVOT from January 2017 to March 2017. The Commission concluded that Mr Khan has used the following names: Adnan Ali Khan, Adhnan Ali Khan, Ali Khan, Raja Ali Khan, Raji I Ali, Raja AA Kiani, Edhnan Kiani and Edhnan Kiyanyy and that he had received over £80,000 in payments.

Mr Khan argued that he had only been known as Adnan Ali Khan, Raja Adnan Ali Kiani and on social media as Adnan Ali Kiani and had not used any of the other names listed in the Commission's order; that he had not gained any personal financial benefit from TVOT; and that any money he received from this charity was reimbursement for expenses incurred in organising events for it. Further, Mr Khan stated he was accepting the disqualification but asked that it be considered to be in the low to middle category and that he was seeking the removal from the order that he used any names other than Adnan Ali Khan, Raja Adnan Ali Kiani and Adnan Ali Kiani.

The Tribunal concluded that it was more likely than not that Mr Khan used the name Edhnan Kiyanyy and that he was appointed a trustee of TVOT in 2017 and that not all of the funds received by Mr Khan from TVOT were reimbursement of expenses properly incurred on behalf of TVOT or were otherwise justified and legitimate. Significant sums were paid to a trustee under more than one name and to a company of which he was a director, which never filed accounts and was later struck off. There was no evidence of any agreement to make these payments or of any authorisation for them. The Tribunal agreed with the Commission that Mr Khan be disqualified from acting as a trustee of any charity. The Tribunal also concluded that there was no good reason to change the ten-year duration of the disqualification. The Tribunal upheld the Commission's disqualification order and dismissed the appeal.

This case is noteworthy because this case was unusual in that Mr Khan's use of various names and subterfuge meant the Commission had to decide which aliases should appear on the disqualification order.

Yusuf Musa v Charity Commission (CA/2020/0005/V)

The Commission had made a disqualification order in relation Mr Yusuf Musa under s181A of the Charities Act 2011 (the 2011 Act) relying on Condition D - that the person was a charity trustee at a time when there was misconduct or mismanagement in the administration of the charity. Mr Musa appealed to the First-tier Tribunal.

Mr Musa was appointed a charity trustee of Darul-Uloom School London (registered charity 1043305) in September 2014. The charity's main activity is running a registered independent school and its proprietors are the trustees of the charity. Mr Musa worked as a teacher and house master at the School (for boys aged 11 to 19) and in 2017 became the designated safeguarding lead for the School.

In 2018 Mr Musa was arrested for possession of an imitation firearm with intent to cause fear but the Crown Prosecution Service offered no evidence. As a result of Mr Musa's arrest, the police searched the premises where he resided. The police found a number of weapons including replica swords, knives and a toy gun ("replica weapons"). Mr Musa accepted that he owned these items. Also at the premises a wooden chest with a lock on it contained over £400,000 in cash (which belonged to the charity). The police seized this money under the Proceeds of Crime Act 2000. On 15 June 2018 the Commission opened a statutory inquiry into the charity. In June 2018 Mr Musa resigned as a trustee. On 22 May 2020 the police returned to the charity the seized money.

Mr Musa appealed on the grounds that the tests for disqualification were not met in that the Commission had put undue, unfair and improper emphasis on the background involving the allegations, his arrest and trial. Further, that the Commission gave undue weight to matters about the money that was seized from the charity and that was a collective responsibility, not just Mr Musa's responsibility and the disqualification was disproportionate.

The Tribunal dismissed Mr Musa's appeal, agreeing with the Commission that the statutory test had been met. It stated that Mr Musa's personal responsibility for keeping the replica weapons on the School site, where the charity was working and the agreement that the £400,000 would not be kept in the safe or be put in a bank account, constituted mismanagement in the administration of the charity. Mr Musa was unfit to be a charity trustee due to his reckless disregard for the stewardship of donations and also for the reputation of the charity and the school by the keeping of the replica weapons. A disqualification order was appropriate to protect public trust and confidence in charities generally so that those who donate to charities know that such conduct is unacceptable.

This case is noteworthy because of the Tribunal's consideration of the impact on the reputation of the charity.

Sikh Channel Community Broadcasting Company Limited v Charity Commission (CA/2020/0009/P)

The Commission had appointed an interim manager to Sikh Channel Community Broadcasting Company Limited (registered charity 1136163) under ss76(3)(g) and 78 of the Charities Act 2011 (the 2011 Act), during a statutory inquiry into the charity by the Commission. While accepting that there had been mismanagement of the charity by former trustees, the then trustees appealed the appointment to the First-tier Tribunal.

The Tribunal found that there had been mismanagement of the charity, but, applying the second limb of the test in s76(1) 2011 Act, it found that as at the hearing date appointing an interim manager was neither necessary nor desirable to protect the property of the charity, or to secure a proper application of property for the purposes of the charity.

The Tribunal recognised that the trustees had joined a charity that was in difficulties. It was satisfied on the balance of probabilities that they had a genuine desire to act independently and in the interest of the charity and were willing to receive guidance from the Commission and quashed the Commission order.

Part 4 Financial Report

The resource accounts report a revenue underspend of £0.4 million (2019-20: £0.3 million). This underspend amounts to 1.3% of our net £29.2 million annual budget, which reflects the tight margins under which the Commission operates in order to maximise resource utilisation.

Our funding was largely via the HM Treasury Vote of £29.2m, supplemented by additional funding from other government departments to cover the cost of ongoing projects delivered on their behalf.

The following table sets out our funding limits over the current spending period (2018-2022).

	2017-18 (£'000)	2018-19 (£'000)	2019-20 (£'000)	2020-21 (£'000)	2021-22 (£'000)
Revenue DEL	20,810	25,450	27,493	29,200	30,250
of which non ring-fenced	19,310	23,850	25,343	27,250	28,300
of which ring-fenced depreciation	1,500	1,600	2,150	1,950	1,950
Capital DEL	3,620	2,200	2,200	2,200	2,200

Note: ring-fenced revenue DEL (Departmental Expenditure Limit) is the element of voted funding set aside for depreciation and amortisation.

Financial performance against statutory limits

The level of expenditure incurred by government departments, including the Commission, is subject to statutory funding limits approved by Parliament. It is a fundamental form of accountability that expenditure within a financial year must not exceed these limits. There are three key financial limits which the Commission must achieve and all three of them were duly met. These are Revenue DEL, Capital DEL and Net Cash Requirement.

	Revenue DEL (£'000)	Capital DEL (£'000)	Net Cash Requirement (£'000)
Main Estimate	29,200	2,200	29,374
Supplementary Estimate	-	-	-
Final Limit	**29,200**	**2,200**	**29,374**
Expenditure and/or cash used	28,818	1,949	27,973
Surplus for year	**382**	**251**	**1,401**
Performance within funding limit?	✓	✓	✓

The above expenditure was used to deliver the strategic objectives of the Commission.

Sustainability Report

We are committed to reducing the impact of our activities on the environment. This is achieved through the implementation of our Sustainability Action Plan, a copy of which can be found on our website. In addition, all government departments and executive agencies have mandated targets for reducing greenhouse gas emissions, waste and water consumption, known as SDiG targets (Sustainable Development in Government). Our performance against each of the four SDiG targets is set out below.

Greenhouse Gas Emissions

There are three different classifications of greenhouse gas emissions, known as Scopes:

Scope 1: Direct emissions occurring from sources owned or controlled by the organisation, for example, emissions from combustible boilers and from organisation-owned fleet vehicles.

Scope 2: Indirect emissions resulting from electricity consumed which is supplied by another party.

Scope 3: Other indirect emissions. All other emissions which occur as a consequence of our activity but which are not owned or controlled by the Commission. For example, emissions resulting from staff travel on public transport and emissions resulting from work done on the Commission's behalf by its suppliers.

Scope 1 and 2 no longer apply to the Commission as we did not manage buildings during the financial year – in each of our four sites we are minor occupiers of a larger government building.

Direct emissions are accounted for by the relevant major occupier, who in each case has building-wide responsibility for sustainability reporting. Scope 3 does apply to the Commission.

Detailed analysis of performance on Scope 3:

		2016-17	2017-18	2018-19	2019-20	2020-21
Scope 3 Business Travel Gross Emissions. CO_2/ Tonnes		120.3	123.7	116.18	80.3	2
Financial indicators (£'000)	Expenditure on official business travel	604	514	479	391	21

Scope 3 covers all types of travel undertaken by Charity Commission staff and use of couriers; both have been reduced this year. The increased use of technology and the impact of the pandemic has led to a significant reduction in travel and consequently a significant reduction in costs and emissions. Post pandemic there will be an increase in travel to meet business need, but the ongoing use of technology will sustain some of the reductions seen across 2020-21.

Helen Stephenson
Chief Executive and Accounting Officer
5 July 2021

Part 5 Accountability report

Statement of Accounting Officer's responsibilities

I have been appointed as Accounting Officer of the Charity Commission by HM Treasury. The responsibilities of an Accounting Officer, which include responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Commission's assets, are set out in Managing Public Money published by HM Treasury.

As Accounting Officer, I am required to prepare for each financial year resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Commission and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, I am required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- Observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis.
- Make judgements and estimates on a reasonable basis.
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed and disclose and explain any material departures in the financial statements.
- Prepare the financial statements on a going concern basis.
- Ensure that I am not aware of any relevant audit information of which the entity's auditors are unaware, that I have taken all steps that ought to have been taken to make myself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.
- Confirm that the annual report and accounts as a whole is fair, balanced and understandable, and I take personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

The annual governance statement below sets out the Commission's governance, risk management and internal control arrangements for the financial year 2020-21 and up to the date of approval of our annual report. I have not prepared a separate Directors' Report as the contents of which are included within the Financial Report.

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Charity Commission's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

Annual governance statement 2020-2021

The Commission's governance structures

The Commission's Board is responsible for strategic oversight of the Commission. It is responsible for developing strategy, monitoring progress, overseeing legal matters, providing corporate governance and assurance, and managing corporate risks.

The Board comprises a Chair, the Chief Executive, two members with legal qualifications, one member with knowledge of conditions in Wales and up to four additional members with relevant skills and expertise in technology, operations, accountancy, risk, security and the charity sector. They use their range of backgrounds, skills and expertise to provide the necessary strategic direction and oversight.

All Charity Commission Board members, bar the Chief Executive, are appointed by the Secretary of State for the Department for Digital, Culture, Media and Sport (DCMS) through open and competitive selection and serve for an initial term of three years. The Secretary of State may renew a board appointment for up to a maximum of ten years.

Changes to the Board

Mike Ashley (member of the Casework Risk Committee) stood down from the Board at the end of October 2020, and Tina Stowell (Chair of the Commission) stood down at the end of February 2021, both on completion of their terms of appointment.

In January 2021, Will Lifford was appointed to the Board for a three-year term. Ian Karet was appointed interim Chair of the Board from 27 February 2021, whilst the appointment process for a permanent Chair is conducted and in February, 2021, Kenneth Dibble was reappointed for a one-year term.

The Board's work

Throughout 2020-21, the Board has continued to oversee progress towards delivering the Commission's 5-year Strategy. The Board has monitored performance against the 2020-21 business plan, ensuring that the two overarching areas of focus – being open for business and being a better, more professional organisation – were achieved. The Board has also reviewed the strategic risks, reviewed performance against the organisation's service standards and provided scrutiny of the implementation of the organisation design programme and the embedding of improved arrangements for the management of casework.

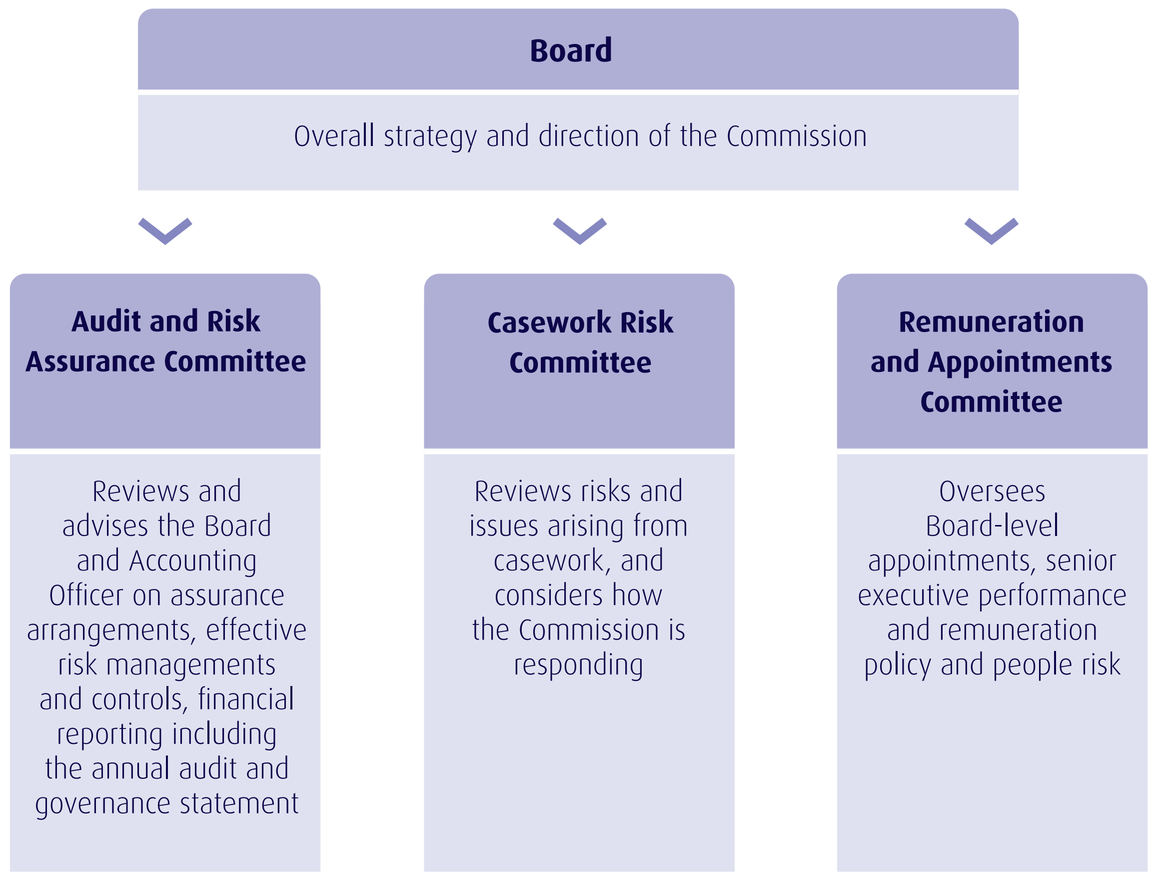
Alongside these crucial but routine activities, the Board has also monitored the organisation's response to the pandemic. This has included considering the arrangements put in place to safeguard the mental and physical well-being of the Commission's workforce; through to reviewing the shifts in the Commission's regulatory approach to reduce, temporarily, the regulatory burdens on the sector.

In March 2021, the Board approved the 2021-22 Business Plan for delivery of year three of our strategy, which is shaped around the following priorities:

- We will help charity to deliver impact, especially as the country recovers from the pandemic.
- We will continue with our robust approach to regulation.
- We will improve how we use data.
- We will create the right environment to enable our people to be more effective and to help make the Commission a great place to work.

Committees of the Board

Our Committee structure is as follows:



Committee membership

The Board approved, at its meeting on 28 May 2020, the following Committee membership:

- Audit and Risk Assurance Committee: Tony Cohen (Chair), Imran Gulamhuseinwala, Nina Hingorani-Crain and Paul Martin.
- Casework Risk Committee: Paul Martin (Chair), Mike Ashley, Kenneth Dibble, Ian Karet and Tina Stowell.
- Remuneration and Appointments Committee: Joanne Prowse (Chair), Ian Karet, Tina Stowell and David Gillies (independent member).

With changes to the Board membership over the course of 2020-21, the membership of the committees, at the end of 2020-21, was:

- Audit and Risk Assurance Committee: Tony Cohen (Chair), Imran Gulamhuseinwala, Will Lifford and Paul Martin.
- Casework Risk Committee: Paul Martin (Chair), Kenneth Dibble, Imran Gulamhuseinwala and Ian Karet.
- Remuneration and Appointments Committee: Joanne Prowse (Chair), Ian Karet, Nina Hingorani-Crain, David Gillies (independent member)[4].

The work of the Committees

Set out below is an overview of the work the committees have undertaken during 2020-21. Each committee has either carried out effectiveness reviews this year or has made plans to do so in early 2021-22. As part of the terms of reference, all committees are required to provide reports to the Board following their meetings.

The **Audit and Risk Assurance Committee** met five times during the year and provided scrutiny, oversight and assurance to me, as accounting officer, and to the Board with regard to the efficient stewardship of the public resources under my control and the integrity and accuracy of our financial statements and annual governance statement. They also provided oversight and scrutiny of any reportable incidents such as data breaches, whistleblowing or allegations of fraud. During the year, the Committee reviewed the new Corporate Risk Management Policy and Handbook and the revised risk register. It also oversaw the implementation of new assurance maps, a policy schedule and provided scrutiny of key policies (such as Raising a Concern). Taken together, this has already improved (and will continue to do so) the visibility and comprehensiveness of the Commission's risk identification, control and assurance arrangements. All meetings were attended by our external (National Audit Office – NAO) and internal (Government Internal Audit Agency – GIAA) auditors.

There were no new instances of staff whistleblowing (raising a concern) to report for the period, and no other significant events which require inclusion in my statement.

4. David Gillies BA (Hons), FCIPD, former HR Director Ofgem, has continued throughout the year as the independent, co-opted member of the Remuneration and Appointments Committee.

The **Casework Risk Committee** met six times during the year to review emerging trends and themes in casework risk; how the Commission is responding, or planning to respond, to this risk; and to provide advice and guidance, where appropriate, on the handling of high-risk casework.

The **Remuneration and Appointments Committee** met five times during the year to evaluate the performance of our most senior officials, and to determine fair remuneration levels. It also reviewed key people activity, including the organisational design project, succession planning arrangements, outcomes of the People Survey and performance in delivering year one of the People Strategy.

Quality of information provided to the Board and Committees

The Executive has continued to work closely with the Board to ensure it has the information it needs to support informed decision making and to enable effective monitoring of the Commission's work and performance, and to drive continuous improvement in the quality of our Board and Committee papers.

Corporate governance code

The HM Treasury corporate governance code (the 'code') remains in force. Whilst it is primarily applicable to government departments, as a non-ministerial department we adopt and adhere to the code where it is constructive and practical to do so, and not incompatible with our statutory duties.

Attendance at meetings

Attendance of Board members and independent members during 2020-21 is listed in the below table.

	Board meetings		Audit and Risk Assurance Committee		Remuneration and Appointments Committee		Casework Risk Committee	
	Attendance	Attendance %	Attendance	Attendance %	Attendance	Attendance %	Attendance	Attendance %
Board members								
Baroness Stowell MBE (Chair)[5]	9/9	100%			5/5	100%	6/6	100%
Helen Stephenson CBE (CEO)[6]	10/10	100%						
Mike Ashley	6/6	100%					3/3	100%
Tony Cohen	10/10	100%	5/5	100%				
Kenneth Dibble	10/10	100%					6/6	100%
Nina Hingorani-Crain	10/10	100%	5/5	100%				
Ian Karet (Interim Chair)[7]	10/10	100%			5/5	100%	6/6	100%
Will Lifford	3/3	100%						
Paul Martin CBE	10/10	100%	5/5	100%			6/6	100%
Joanne Prowse	10/10	100%			5/5	100%		
Imran Gulamhuseinwala	9/10	90%	5/5	100%				
Independent co-optees								
David Gillies					5/5	100%		

5. Until 26 February 2021.
6. The Chief Executive also attends, but is not a member of, all the Committees.
7. From 27 February 2021.

ACCOUNTABILITY REPORT

Members' interests

All Board members declare all relevant personal or business interests and these are recorded in our register of interests, published on GOV.UK: **https://www.gov.uk/government/organisations/charity-commission/about/our-governance#register-of-board-members-interests**

Any potential conflicts of interest are declared and recorded at the outset of each board or committee meeting and, if needed, the individual(s) take no further part in decision making or withdraw as required.

Executive leadership

Our Chief Executive and our Directors make up the Executive Leadership Team (referred to as the Directors' Group until August 2020). The Executive Leadership Team (ELT) works together as the decision-making body on all operational matters, ensuring that we deliver our strategy, and are being driven by our purpose in all we do. The ELT develops and delivers the business plan, assesses resource against priorities and risks, making appropriate resource allocations; plans and oversees the recruitment of staff, all with the aim of achieving the Commission's statutory duties and strategic objectives. The ELT met, formally, once a month throughout 2020, with more frequent meetings being held in early 2020-21 to deal with the Commission's response to the COVID-19 pandemic. From January 2021, the ELT has adjusted its meeting schedule to meet, formally, fortnightly.

At the start of 2020-21, the Executive Leadership Team was as follows:

- Helen Stephenson, Chief Executive (Chair)
- Roberto Confessore, Director of Data, Digital and Technology
- Helen Earner, Director of Regulatory Services
- David Jones, Director of Corporate Services
- Paul Latham, Director of Communications and Policy
- Aarti Thakor, Director of Legal and Accountancy Services

Throughout the year there have been changes at the executive level of the organisation, with David Jones leaving at the end of June 2020 and Nick Baker joining as Chief Operating Officer in August 2020. During 2020-21, the Executive Leadership Team was supported and strengthened by a number of interim directors in various positions, which helped to maintain momentum in delivery and stability in leadership, particularly through the pandemic.

Executive's interests

All our staff should avoid doing anything that might reasonably be seen as compromising their judgement or integrity. Our conflicts of interest policy applies to all staff. This policy, and the process for managing interests is set out in our Governance Handbook. Our policy reflects the provisions set out in section 4.3 of the Civil Service Management Code.

All members of the Executive Leadership Team complete, as a minimum, an annual Declaration of Interest form, with a record of these declarations maintained centrally.

Executive governance structures

The **Executive Casework Committee** has met monthly throughout 2020-21. The Committee, which is chaired by the Chief Executive, oversees the management of casework, monitors performance against operational targets, and considers emerging sector risks, ensuring the Commission responds as required. The Committee also enables the Chief Executive to provide appropriate assurance to the Board about the effectiveness of casework and to ensure that cases are escalated, in line with the agreed escalation guidelines, to the Board. The escalation guidelines have continued to be an effective method to ensure that the Board are assured that cases are being handled properly and are alerted to cases of significance.

The **Portfolio Delivery Board** (PDB) has met monthly throughout 2020-21. In August, the Chief Operating Officer took on responsibility for chairing the PDB. It has provided oversight of and direction to the Commission's portfolio of programmes, projects and associated business change activity.

The Chief Executive has continued to lead the bi-monthly **Engagement Champions Network**. The Engagement Champions are drawn from all directorates and grades, with the Network sharing and learning from examples of good practice which are positively supporting engagement across the business and applying them elsewhere in the Commission.

The **Diversity and Inclusion Forum** (DIF) is a Director-chaired, cross-Commission forum aimed at helping the Commission meet its strategic aims and improve the working environment for all by championing equality, diversity and inclusion. Throughout the year, the DIF has led work to ensure that the Commission achieved the Carer Confident Accreditation. Carer Passports have also been made available to staff, to help the Commission improve and embed identification, recognition and support for carers in their day to day work. The DIF has also continued to raise organisational awareness of cultural events through internal communications and engagement.

The **Security Steering Group** (SSG) has continued to provide direction in terms of security issues as well as putting in place procedures to manage the response to security incidents and other issues that arise. It is chaired by the Commission's Security Advisor, with representation from IT, Estates, HR and Information Governance. The group has met quarterly to review management information about security incidents and progress against relevant security projects, such as Cyber Essentials Certification and insider threat management work.

The **Health and Safety Committee** has met three times during the year to oversee compliance with Health and Safety legislation and assess risks to staff including looking at the support offered to staff while working at home, both in providing equipment and mental health and wellbeing support, and improving the Health and Safety reporting system to ensure better accuracy in the reporting of incidents. It is chaired by the Head of Estates and comprises representatives from cross-business functions, office locations and the trades unions.

Responding to COVID-19 pandemic

Like all organisations, and society as a whole, we have spent 2020-21 dealing with the ongoing impact of the COVID-19 pandemic. Our internal response has been led by the Incident Response Team (IRT). This cross-organisational team, chaired by the Chief Operating Officer, has met weekly throughout the year to co-ordinate and develop our organisational response, dealing with staff working arrangements, internal communications and estates and security issues. The IRT has reported to the Executive Leadership Team, and the Board has been kept up to date by email and regular reporting at Board meetings.

In terms of our response to the sector, in the early stages of the pandemic, the COVID-19 working group was established to identify where the Commission could adopt flexibility and pragmatism in our regulatory approach during this period of uncertainty, whilst also helping trustees to be aware of, and think about, the wider or longer-term impact of their decisions on their charity. The group co-ordinated the production and publication of revised guidance. The Commission also convened regular meetings with sector umbrella bodies. These meetings of sector representatives continued through 2020-21, moving from weekly to bi-monthly meetings over the course of the year.

Risk management

We have made good progress over 2020-21 in developing and introducing the Corporate Risk Management Policy and Guide, revised risk register, assurance map, policy schedule and work to shape the forthcoming Key Risk Indictors (KRIs). Implementing all of this work should help to improve both the visibility and comprehensiveness of the Commission's risk identification, control and assurance arrangements. However, we know that there is still more for us to do to ensure we have a stronger risk culture embedded throughout the organisation.

The Board has continued, through the Audit and Risk Assurance Committee (ARAC), its oversight of the implementation of our work in this area. The ARAC has reviewed the strategic risks throughout the year. In April 2020, the Committee formally added an additional risk to its six existing risks to reflect the impact of the pandemic, on the sector and the Commission itself. In October 2020, the Committee received further analysis of the pandemic's impact on strategy, staff, controls, governance, budget, operations and preparation of the annual report.

During 2020-21, we have developed tools to better assure ourselves that the Commission's risks are being adequately managed or controlled. Assurance maps have been developed using the three lines of defence model to define controls and assurances for each risk and are routinely reviewed by the ARAC. Additionally, ARAC has refined its programme of deep dives using risk scenarios to interrogate anticipatory controls and remedial action. It conducted deep dives into the IT Infrastructure Programme; integrated business continuity; and protecting confidential information.

In the year we acted on the principal risks in our strategic risk register in the ways set out below.

Workforce capacity

We judged that the onset of the pandemic would increase the likelihood of loss of staff to illness, anxiety, or caring duties and that there was the potential for a reduction in productivity from remote working. Throughout the year we have supported our staff to continue to work remotely, adopting flexible working arrangements as staff have juggled the challenges of home-schooling, COVID-related illness and caring responsibilities. We implemented a well-being hub, training for line managers and encouraged staff to check in on one another. Our staff have displayed resilience and the individual

ACCOUNTABILITY REPORT

commitments across the organisation, to ensure we kept delivering and remained open for business, have been impressive.

Case working and customer service

The risk of failure in executing casework or providing the appropriate levels of service to charities and other external customers is a critical focus for the organisation. The services we provide must be efficient and delivered effectively, while identifying and tackling wrongdoing in charities.

Despite remote working, we remained open for business to charities and continued to meet, or exceed, performance targets. We have worked to enhance our methods for assessing charity and sector risks and started using this information to direct resources to where they are needed most, using a new approach to intelligence and tasking. This has included the building and mobilisation of a dedicated Commission Tasking and Coordination Group (CTCG), to help us to make well informed decisions about how we can prevent, minimise and manage risk to the sector.

IT systems and cyber security

As for many organisations, the risks of cyber-attack or major system failure are amongst the most significant we face. This year, we continued the work of transforming our IT infrastructure using the latest cloud software platform resulting in improved security and resilience.

Our ability to work remotely for the past year demonstrates the business continuity resilience this continuing IT programme has brought us. In addition, we have embedded our Security Operations Centre (SOC) to monitor and defend against cyber threats. In early April 2021, the Commission successfully achieved its Cyber Essentials Plus accreditation. This accreditation gives us a clear picture of our cyber security protection level and provides assurance to internal and external parties on the cyber protection level across the Commission.

Loss of data or data breaches

The risk of confidential information, including personal data controlled or processed by the Commission, being misused, lost, stolen or corrupted remains prominent. We are alert to insider risk to our data, whereby accidental or malicious actions by staff result in data breaches. Alongside the practices to control cyber security risks highlighted above, we continued to ensure that all staff are aware of their obligations and responsibilities for information security, particularly in the remote working environment. All staff undertake Responsible for Information training as well as GDPR training, which reminds them of their responsibilities in terms of handling data safely and securely. More information about the ways in which we are monitoring and controlling data protection can be found in the next section.

Failures in governance

As Accounting Officer, I am acutely aware that, to maintain public and stakeholder trust, it is essential that we fulfil our statutory duties and act within our remit, and recognise that this trust could be harmed if the Commission were to materially misuse the powers entrusted to it in law, or the public funds under its control.

Effective board and committee oversight of the Executive has continued throughout the year. Our successful response to the demands imposed by the pandemic demonstrated our ability to readjust and maintain good governance and assurance.

In 2020-21, as we made changes to the senior leadership structure, we also reviewed and implemented changes to our executive governance structures to ensure continuity of operational controls and oversight, this included a thorough review of our operational Scheme of Delegation, ensuring that the Scheme that is in place clarifies the levels of decision-making in the organisation and is aligned to the organisation's structure.

We have continued with our annual programme of reviews of the terms of reference for all our committees and ensured that effectiveness reviews are scheduled and completed for the Board and its committees.

Political and financial uncertainty

In common with other organisations, the uncertainty of the last year presents risks which may undermine our ability to carry out our statutory functions. We know financial uncertainty may impact our funding and so our ability to deliver our strategy. Ultimately, this risk can harm public/stakeholder trust and confidence in the Commission.

Throughout 2020-21, we have worked to understand this risk better through horizon scanning and stakeholder engagement to anticipate and respond to issues. We have sought to manage this risk through maintaining positive relationships with key stakeholders. Whilst we believe that this strategic risk has been well managed in 2020-21, the COVID-19 pandemic has made it inherently challenging and uncertain.

Charity sector response to economic and social impacts resulting from COVID-19

In April 2020, we identified a new strategic risk, specifically related to the pandemic and its impact on the charity sector, and what that means for the Commission. Throughout the year, we have developed our understanding of the stress charities are under, by conducting regular dialogue with sector representative bodies and strengthening our handling and collation of intelligence. We have actively managed this risk through data analysis and scenario planning, working with the sector and government to identify mitigations. We have also developed new processes for assessing charity risk and allocating tasks internally, seeking to be proactive and focused on outcomes. We have been flexible and responsive to sector needs, including changing our processes and guidance to reduce the strain on charities and help them manage challenges that have arisen. We will continue our approach to mitigating this risk in 2021-22, and we expect that this will remain a significant strategic risk for the Commission's focus over the coming year and beyond.

Data Protection

The Commission handles a number of data assets, including personal data, essential to its delivery of services. Therefore, ensuring compliance with revised data protection legislation implemented in 2018 through the General Data Protection Regulation (2016) and Data Protection Act (2018) remained a prominent activity for the year and a priority for me. We operate a corporate framework for protecting personal data to ensure that we comply with our duties under data protection law and have implemented actions to maintain and improve compliance throughout the year. Data protection is the responsibility for all staff and all system users are required to complete GDPR training each year.

The Data Protection Officer has reported quarterly to the Executive Leadership Team on compliance with the legislation and our performance, and six-monthly to the Audit and Risk Assurance Committee.

Our data incident management policy ensures that prompt action is taken to contain and resolve data incidents promptly. We pay close attention to all personal data incidents, whether or not they are confirmed as breaches, so that re-occurrences can be prevented, and lessons learnt. Reporting levels increased this year, recording a total of 18 breaches of confidentiality (2019-20: 17). Two of these breaches were reported to the ICO, one in July 2020 and one in January 2021. In both instances, emails were sent to an incorrect recipient by using an incorrect email address. Following thorough internal investigations of both incidents, actions were taken to improve staff knowledge, awareness and adjustments made to systems where required to prevent reoccurrence. The ICO took no further action following its investigations, being satisfied that the issues had been dealt with swiftly and appropriately.

	Category/Nature of personal data breach	2020-21	2020-21 Notified to ICO
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises	0	0
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises	0	0
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0	0
IV	Unauthorised disclosure	15	2
V	Other	3	0
	Total	**18**	**2**

Independent Assurance and Scrutiny

As in previous years, the Government Internal Audit Agency (GIAA) has delivered our annual assurance programme. Of the five audits completed during the financial year, two audits received a ‘Substantial’ assurance rating, the highest level of assurance. The first of these assessed our use of escalation guidance for casework, providing assurance that the escalation process is being fairly and consistently applied to operational cases. The second assessed our pandemic response relating to health and wellbeing, providing assurance on the effectiveness of risk management, control and governance arrangements relating to our response to the impact of the pandemic on our workforce.

Two audits received an overall ‘Moderate’ assurance rating, meaning that some improvements were required to enhance the adequacy and effectiveness of the framework of governance, risk management and control. These audits covered Key Financial Controls and Workforce Skills and Capability. At the end

of 2019-20, an audit considering Cyber Security received a limited rating. However, a GIAA follow up report, completed in March 2021, concluded that all agreed management actions from the cyber security audit are now complete and that the design of the implemented cyber controls demonstrates that our approach to cyber security aligns to the Cabinet Office Minimum Cyber Security Standard. The report noted that this is a significant achievement and demonstrates our ability to proactively mitigate and manage cyber-attacks.

There were no matters arising from the work of internal audit during the period that require separate comment. Internal audit found no fundamental or systemic control weaknesses by design or operation, fraud or improbity, but did find areas where controls have not yet been fully implemented or require improvement for which appropriate actions to address the risks have been agreed with management.

The work undertaken on assurance mapping during the year has informed and refined the process of identifying future priorities for independent assurance. This is noted elsewhere in my report and has led to the development of a more targeted “third level of defence” assurance programme for 2021-22, principally, but not limited to, those elements undertaken by GIAA.

Accounting officer’s statement of effectiveness

I have reviewed the effectiveness of the Commission’s governance structures, risk management and internal controls. Taking into account: the results from our internal audit programme and other external assurances; assurance letters from each of my directors summarising the effectiveness of their systems of governance, risk management and control; and the ongoing review of our governance arrangements, I have concluded that the Commission has satisfactory governance and risk management systems in place, with effective plans to ensure continuous improvement.

Helen Stephenson
Chief Executive and Accounting Officer
5 July 2021

ACCOUNTABILITY REPORT

Remuneration and staff report

Remuneration Report

Service contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise. All appointments are overseen by the Office of the Commissioner for Public Appointments.

All Board members are on fixed-term contracts from the Department for Digital, Culture, Media and Sport. Helen Stephenson is also on a fixed-term contract. The CEO and the directors are all directly employed by the Commission.

Further information about the work of the Civil Service Commission can be found at: **www.civilservicecommission.org.uk**

Remuneration (including salary) and pension entitlements

The following sections provide details of the remuneration and pension interests of Board members and the most senior executive officials of the Commission.

Remuneration (audited)

All non-executive Board members (excluding the Chair) serving in 2020-21 received a fee of £350 per day (unchanged from last year), so their overall fee/salary reflects days worked.

Ian Karet has only claimed remuneration as the Interim Chair. No pension contributions are paid for non-executives (2019-20: £nil).

Board, Chair and Chief Executive	Fee/salary £'000		Bonus payment £'000		Pension benefits £'000		Total £'000	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
Baroness Stowell MBE Chair (to 26 February 2021)	55-60 (60-65 full year equivalent)	60-65	0	0	0	0	55-60 (60-65 full year equivalent)	60-65
Helen Stephenson CBE Chief Executive	135-140	130-135	5-10	0-5	43	29	185-190	165-170
Mike Ashley (to 31 October 2020)	0-5 (5-10 full year equivalent)	5-10	0	0	0	0	0-5 (5-10 full year equivalent)	5-10
Paul Martin CBE	5-10	5-10	0	0	0	0	5-10	5-10
Kenneth Dibble	5-10	15-20	0	0	0	0	5-10	15-20
Tony Cohen	5-10	5-10	0	0	0	0	5-10	5-10
Ian Karet (interim Chair)	0-5	0	0	0	0	0	0-5	0
Nina Hingorani-Crain	5-10	10-15	0	0	0	0	5-10	10-15
Joanne Prowse	5-10	0-5 (5-10 full year equivalent)	0	0	0	0	5-10	0-5 (5-10 full year equivalent)
Imran Gulamhuseinwala	0-5	0-5 (5-10 full year equivalent)	0	0	0	0	0-5	0-5 (5-10 full year equivalent)
Will Lifford (from 18 January 2021)	0-5 (10-15 full year equivalent)	0	0	0	0	0	0-5 (10-15 full year equivalent)	0

Co-opted and independent expert members of Board Committees received payments for their services during the financial year. David Gillies was paid £0-5,000 (2019-20: £0-£5,000).

Directors	Fee/salary £'000		Bonus payment £'000		Pension benefits £'000		Total £'000	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
Aarti Thakor	100-105	80-85	0-5	0-5	46	32	145-150	120-125
David Jones (to 30 June 2020)	25-30 (85-90 full year equivalent)	90-95	0	0	21	40	45-50 (110-115 full year equivalent)	130-135
Roberto Confessore	90-95	10-15 (85-90 full year equivalent)	0-5	0	36	5	125-130	15-20 (90-95 full year equivalent)
Tim Stockings (to 9 September 2020)	45-50 (95-100 full year equivalent)	20-25 (95-100 full year equivalent)	0	0	17	9	60-65 (115-120 full year equivalent)	30-35 (105-110 full year equivalent)
Christopher McKeogh (to 31 December 2020)	75-80 (100-105 full year equivalent)	20-25 (100-105 full year equivalent)	0	0	12*	3*	85-90 (115-120 full year equivalent)	25-30 (105-110 full year equivalent)
Helen Earner	85-90	50-55 (75-80 full year equivalent)	0-5	0	81	17	170-175	65-70 (90-95 full year equivalent)
Paul Latham	95-100	0-5 (95-100 full year equivalent)	0	0	43	1	140-145	0-5 (95-100 full year equivalent)
Nick Baker (from 3 August 2020)	75-80(115-120 full year equivalent)	0	0	0	31	0	85-90 (150-155 full year equivalent)	0

*Christopher McKeogh opted to have a partnership pension account rather than joining the PCSPS. Employer contributions paid for the period were £11,850.

Colin Douglas was an interim Director employed via a 3rd party. His salary relates to costs incurred, inclusive of disbursements and VAT. His contract ceased on 8 June 2020. In the financial year the Commission paid agency fees totalling to £29,788.

The pension benefits for each Director is calculated as the real increase in actuarial assessed capitalised valuation of the pension scheme – see later section on Civil Service Pensions for additional explanation of the scheme. No other benefits in kind were paid to the above officials.

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

In 2020-21, Nil (2019-20: Nil) employees received remuneration in excess of the highest-paid Director.

ACCOUNTABILITY REPORT

Remuneration ranged from £17,813 to £140,000-145,000 (2019-20: £16,618 to £135,000-140,000).

Total remuneration includes salary, non-consolidated performance pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions. Salary includes gross salary, performance pay or bonuses, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances and any other allowance to the extent that it is subject to UK taxation.

	2020-21	2019-20
Highest Earner's Total Remuneration (£000)	140-145	135-140
Median Total Remuneration of all staff	31,405	31,271
Ratio	4.5	4.4

Our senior staff pay policy is in line with the work and recommendations of the Senior Salaries Review Body.

Reimbursement of expenses

Expenses claimed by Board Members are in respect of actual receipted expenditure for travel, subsistence and accommodation in 2020-21. For the Chair, Chief Executive, Directors and other Commission staff, expenses claimed are in respect of costs expended for business travel and accommodation and subsistence allowance, in accordance with Civil Service guidelines. The Commission publishes on its website details of expenses claimed by the Chair, Board Members and the Chief Executive.

Pension Benefits (audited)

	Accrued pension at pension age at 31 March 2021 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2021	CETV at 31 March 2020	Real increase in CETV
	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
Helen Stephenson CBE Chief Executive	40-45 plus a lump sum of 125-130	2.5-5 plus a lump sum of 7.5-10	1,034	960	46
Aarti Thakor	20-25	2.5-5	212	179	12
David Jones (to 30/06/2020)	40-45	0-2.5	803	784	17
Roberto Confessore	5-10	0-2.5	54	30	16
Tim Stockings (to 9 September 2020)	0-5	0-2.5	22	7	11
Helen Earner	25-30 plus a lump sum of 40-45	2.5-5 plus a lump sum of 5-7.5	385	317	52
Paul Latham	30-35	2.5-5	417	376	22
Nick Baker (from 3 August 2020)	0-5	0-2.5	24	0	18

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal retirement age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022.Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below). All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill-health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes but note that part of that pension may be payable from different ages).

Further details about the Civil Service pension arrangements can be found at the website **www.civilservicepensionscheme.org.uk**

Cash Equivalent Transfer Values (CETV)

A Cash Equivalent Transfer Value is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendments) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Civil Service voluntary exit packages

No Board Members left under the Civil Service Compensation Scheme (CSCS) Voluntary Exit terms in 2020-21. One Director left in June 2020, with the liability being recognised in 2019-20.

ACCOUNTABILITY REPORT

Staff Report

The first year of the Commission's People Strategy was delivered in 2020-21. The People Strategy was set before March 2020 and its delivery has been affected by the pandemic. The broad priorities set out in the People Strategy are 'A Workforce Organised to Deliver', 'Leadership to Deliver', and 'People Capable to Succeed'.

Workforce organised to deliver

In 2020-21, we delivered our Organisation Design programme. The programme implemented structural change to align our functions to enable us to deliver better our purpose and strategy and improve our efficiency and effectiveness. Our workforce has become more flexible, enabling us to meet changing business demands and priorities, not least as we have continued to operate through the multiple periods of lockdown. As a result of the Organisation Design programme, new people have joined the Commission, bringing with them a wealth of expertise across our diverse functions – from intelligence, policy, and communications to investigations.

Leadership to deliver

A senior leadership programme based on 'Future, Engage, Deliver' (FED) has been designed and delivered to the Executive Leadership Team and Assistant Directors to build leadership capability, support the effectiveness of the leadership cadre and embed the leadership behaviours that the Commission requires. We have invested in professionalising line managers through the delivery of the Line Managers Essentials programme and this will continue into 2021-22.

People capable to succeed

A Technical Competence Programme has been developed in 2020-21 and will be launched in 2021-22.

The Commission introduced apprenticeships in Digital, Data and Technology (DDAT) in 2020-21 to build a pipeline for skills, which can be difficult to recruit. The Commission has also supported apprenticeships in Accountancy. The apprenticeship programme will continue in 2021-22.

Responding to the impact of the COVID-19 pandemic

As an organisation, we acted swiftly in our initial response, putting in place arrangements to secure the health and safety of our staff and mobilising the workforce to operate remotely, almost overnight. Throughout the year, we have supported our staff to continue to work remotely, adopting flexible working arrangements as they have juggled the challenges of home-schooling, COVID-related illness and caring responsibilities. We implemented a well-being hub, rolled out a series of briefings for line managers on how to provide support to their teams, and held mental health and wellbeing sessions for all staff.

Staff Changes over the year

		31 March 2019	31 March 2020	31 March 2021
Staff on payroll	Number in post	406	421	443
Contingent Labour (Agency and Contractors)	Number in post	12	13	30
Workforce shape*	Headcount at Pay Band 3 and below	28% (111)	30% (124)	30% (132)
	Headcount at Pay Band 4 and above, excluding SCS	71% (280)	68% (280)	68% (297)
	Senior civil servants	1% (6)	2% (8)	1% (6)
Workforce diversity**	BME in full	7%	8%	7%
	Women	57%	57%	57%
	Women (SCS only)	67%	43%	50%
	Disabled	16%	13%	10%
Attendance	Average working days lost	4.7 days	7.4 days	5.2 days
Civil Service People Survey	Engagement Index %	65	65	65

*Our staff on payroll also includes 8 public appointments as at 31 March 2021.

**The diversity figures above are shown as a percentage of those who have completed a voluntary disclosure. For disability, 59% of our workforce have completed the disclosure and for ethnic origin, 80% have completed their disclosure.

The size of the workforce in 2020-21 has increased in headcount by 22 over the year. During this period 56 employees left the organisation and 78 have joined.

Our attrition figures were similar to last year, with a turnover rate of 13% in 2020-21 (13% in 2019-20). The main reason for leaving was return or transfer to another government department (18). Nine employees left at the end of a fixed term contract.

The split of our workforce at 31 March 2021, by employment type, was as follows:

Type of Appointment	31st March 2020 (% of Headcount)	31st March 2021 (% of Headcount)
Permanent Employee	84% (364 headcount)	82% (386 headcount)
Fixed Term	12% (53 headcount)	12% (56 headcount)
Secondment In	1% (4 headcount)	0% (1 headcount)
Contingent Labour	3% (13 headcount)	6% (30 headcount)

Staff policies applied throughout 2020-21

In addition to changes in response to pandemic, throughout 2020-21 the Commission continued to apply our staff policies (which are aligned with central HR Expert Civil Service policies). During the year, the key changes made to staff policies were:

- Adoption of a 'Domestic Abuse' policy – this model guidance is designed to raise awareness of domestic abuse. The guidance provides advice and support to managers and employees experiencing, or who have experienced, domestic abuse.
- Adoption of a new 'Supporting attendance' policy and guidance which includes advice about managing gender transition and intersex related absence. The policy and guidance also provide information about the legal framework and how to create a transgender, non-binary and intersex inclusive workplace.
- Introduction of a refreshed 'Smarter working' policy in response to staff working mainly from home. This policy was refreshed to reflect best policy and practice covering workstation set-ups and security and wellbeing issues associated with remote working.
- Updating the 'Learning and development' policy to ensure alignment with central civil service messaging around learning and development. This was supported by the introduction of a new approach to planning, aligning learning and development activities with organisational needs; delivering positive outcomes for staff as well as value for money.
- Updating the 'Raising a concern' policy to ensure that our staff understand the behaviours expected under the Civil Service code and feel safe and supported when raising any concerns under that Code. The language of the policy is now more user- friendly and demonstrates that senior leaders actively welcome the raising of any concerns internally under this policy.

Diversity and Inclusion

Reporting Gender Pay Gap outcomes is a legal requirement for organisations with more than 250 employees under the Equality Act 2010 Gender Pay Gap Information Regulations 2017. Our 2020 figures show hourly pay of men in the Commission is, on average, 3.2% more than women, while for bonus payments it is 5.6%.

A well-established, director-led Diversity and Inclusion Forum (DIF) has remained in place, which aims to improve representation and culture in the organisation. Membership is drawn from all directorates and grades across the Commission. This year the group has continued to focus on embedding an inclusive culture, where every employee is encouraged to bring their whole self to work. There have been two communications campaigns aimed at increasing employee self-declaration of diversity data. The Commission has extended the characteristics which it records and tracks to include carer status and the socio-economic background of our employees. This enables us to better understand the characteristics of our workforce and indicates where further work is required to improve representation.

Wellbeing and mental health support have been a core focus for the Commission during 2020-21 as we have supported employees through the pandemic. Dedicated mental health support has been provided to employees throughout the year and a wellbeing hub has been introduced.

Employee engagement

Our response rate to the October 2020 People Survey was 89% and we maintained our highest ever engagement index of 65%. This set of survey results confirmed that improvements across many survey themes have been sustained, which is encouraging. We are particularly pleased that we have maintained our engagement levels across the organisation during what has been a challenging year, with employees and ways of working impacted by the pandemic. We know there are areas that need further improvement and we continue to be committed to developing a culture of openness where constructive challenge is promoted, and our employees are supported to succeed.

In December 2020, we ran our third annual Commission Awards scheme, designed to encourage and celebrate great corporate behaviours. The scheme is very popular with employees who were invited to nominate colleagues in six different categories of awards.

Increasing our capability

In 2020-21, the Commission delivered an organisation design programme. This programme included a review of capability requirements and the recruitment of skills required to deliver the strategy.

The Commission allows 5-days of dedicated learning for each member of staff per year.

The Commission runs an induction programme to ensure new recruits understand the purpose, role and work of the Commission. Alongside this general induction, new staff working in operational areas of the organisation undertake a week-long additional induction on technical essentials for casework, ensuring they are effective more quickly. In response to the pandemic, this programme was adapted and delivered virtually, as new starters joined while working from home.

There has been a strong focus on developing leadership, with the delivery of a Senior Leadership Programme based on 'Future, Engage, Deliver' and use of 360 degree feedback. We have invested in professionalising line managers through the delivery of the Line Managers Essentials programme and this will continue into 2021-22, ensuring that we are motivating and supporting our employees to perform well and deliver our purpose.

In 2020-21, we launched a skills and capability exercise to better understand learning requirements across the organisation. This exercise helped with the improved planning of capability priorities and interventions to develop our people.

In addition to the introduction of a pilot IT apprenticeship programme in 2020-21, we are also developing a longer-term apprenticeship strategy.

ACCOUNTABILITY REPORT

Trade Union Facility Time

Type of appointment	2020-21	2019-20
Organisation name	Charity Commission for England and Wales	Charity Commission for England and Wales
Headcount	50 to 1,500	50 to 1,500
Number of TU representatives	13	17
FTE Number of TU representatives*	13	17
Number of TU representatives that spend 0% of working hours on facility time	1	3
Number of TU representatives that spend 1-50% of working hours on facility time	12	14
Number of TU representatives that spend 51-99% of working hours on facility time	0	0
Number of TU representatives that spend 100 of working hours on facility time	0	0
Organisations total pay bill	£21,103,910	£19,370,199
Total cost of facility time	£20,507	£10,444
Percentage of pay spent on facility time	0.10%	0.05%
Percentage of total paid facility time spent on trade union activities	6%	9%

*2 FTE leavers during the year not replaced as representatives by the PCS union.

Management has worked closely with trade unions during 2020-21 on the organisations response to the pandemic and has consulted extensively on the changes implemented as part of the organisation design programme. This has led to an increase in the use of paid facility time in 2020-21.

ACCOUNTABILITY REPORT

Staff Costs

	2020-21			2019-20		
	Permanently employed staff	Temporarily employed staff	Total	Permanently employed staff	Temporarily employed staff	Total
	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
Wages and salaries	15,129	0	15.129	14,147	0	14,147
Social security costs	1,575	0	1,575	1,442	0	1,442
Other pension costs	3,892	0	3,892	3,573	0	3,573
Agency staff	0	737	737	0	790	790
Severance costs*	496	0	496	209	0	209
(Decrease)/Increase in IAS 19: employee benefits accrual	136	0	136	73	0	73
Total	**21,228**	**737**	**21,965**	**19,444**	**790**	**20,234**
Charged to Capital	(124)	(0)	(124)	(74)	(61)	(135)
Total Net Costs	**21,104**	**737**	**21,841**	**19,370**	**729**	**20,099**

*Gross costs charged in the year were £499k, but with an in-year adjustment of £3k relating to 2019-20, net costs charged to the accounts for 2020-21 were £496k.

As a non-Ministerial Government Department, the Commission's pay costs relate to staff. There are no Ministers or Advisors.

The Principal Civil Service Pensions Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme in which the Charity Commission is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (**www.civilservice-pensions.gov.uk**).

For 2020-21, employers' contributions of £3.8 million were payable to the PCSPS (2019-20 £3.5 million) at one of four rates in the range 26.6% to 30.3% (2019-20 26.6% to 30.3%) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, which is a stakeholder pension with an employer contribution. Employers' contributions of £36.2k (2019-20 £31.2K) were paid to one or more of a panel of three appointed stakeholder pension providers. Employers' contributions are age-related and range from 8% to 14.75% (2019-20 8% to 14.75%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £nil was payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

No staff members retired early on ill-health grounds, so the total additional accrued pension liabilities amounted to Nil.

Contributions due to the partnership pension providers at 31 March 2021 were £6.4k. Contributions prepaid at that date were £nil.

Average number of persons employed (audited)

The average numbers of full-time equivalent persons (FTE), including senior management, employed during the year was as follows:

	Permanently employed staff	Temporarily employed staff	2020-21 Number	2019-20 Number
Charity Commission staff	400	0	400	362
Agency staff	0	18	18	11
Total	**400**	**18**	**418**	**373**

Reporting of Civil Service and other compensation schemes – exit packages

Unless otherwise stated, redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme (CSCS), a statutory scheme made under the Superannuation Act 1972. Where the Commission has agreed early retirements, the additional costs are met by the Commission and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

The table below shows the total cost of exit packages agreed and accounted for in 2020-21, of which £22,364 were paid in year with a further £476,143 accrued for (£52,510 paid in year 2019-20 with an addition £156,800 accrued for in 2019-20):

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
Less than £10,000	0	0	0	0	0	0
£10,000 - £24,999	0	0	2	1	2	1
£25,000 - £49,999	0	0	0	1	0	1
£50,000 - £99,999	0	0	4	2	4	2
£100,000 - £150,000	0	0	1	0	1	0
Total number of exit packages	**0**	**0**	**7**	**4**	**7**	**4**
Total resource cost (£'000)	**0**	**0**	**499**	**209**	**499**	**209**

	2020-21	2019-20
	£'000	£'000
Highest exit package	101	95
Lowest exit package	22	15
Mean exit package	71	52

The Commission did not have any off-payroll engagements in 2020-21.

Parliamentary Accounting Disclosures

Statement of Parliamentary Supply

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires the Commission to prepare a Statement of Outturn against Parliamentary Supply (SoPS) and supporting notes.

The SoPS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

The SoPS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate. Supply is the monetary provision (for resource and capital purposes) and cash (drawn primarily from the Consolidated fund), that Parliament gives statutory authority for entities to utilise. The Estimate details supply and is voted on by Parliament at the start of the financial year.

Should an entity exceed the limits set by their Supply Estimate, called control limits, their accounts will receive a qualified opinion.

The format of the SoPS mirrors the Supply Estimates, published on gov.uk, to enable comparability between what Parliament approves and the final outturn.

The SoPS contain a summary table, detailing performance against the control limits that Parliament have voted on, cash spent (budgets are compiled on an accruals basis and so outturn won't exactly tie to cash spent) and administration.

The supporting notes detail the following: Outturn by Estimate line, providing a more detailed breakdown (note 1); a reconciliation of outturn to net operating expenditure in the SOCNE, to tie the SoPS to the financial statements (note 2); a reconciliation of outturn to net cash requirement (note 3); and, an analysis of income payable to the Consolidated Fund (note 4). In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires the Commission to prepare a Statement of Parliamentary Supply (SoPS) and supporting notes to show resource outturn against the Supply Estimate presented to Parliament, in respect of each budgetary control limit. The SoPs and related notes are subject to audit.

ACCOUNTABILITY REPORT

Summary of Resource and Capital Outturn 2020-21

		Estimate			Outturn			2020-21 Voted	2019-20 Outturn
	SoPS Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total	Outturn compared with Estimate: saving/ (excess)	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Departmental Expenditure Limit									
– Resource	1.1	29,200	0	29,200	28,818	0	28,818	382	27,175
– Capital	1.2	2,200	0	2,200	1,949	0	1,949	251	2,062
Annually Managed Expenditure									
– Resource	1.1	200	0	200	0	0	0	200	0
– Capital		0	0	0	0	0	0	0	0
Total Budget		**31,600**	**0**	**31,600**	**30,767**	**0**	**30,767**	**833**	**29,237**
Non-Budget									
– Resource	1.1	0	0	0	0	0	0	0	0
Total		**31,600**	**0**	**31,600**	**30,767**	**0**	**30,767**	**833**	**29,237**
Total Resource		29,400	0	29,400	28,818	0	28,818	582	27,175
Total Capital		2,200	0	2,200	1,949	0	1,949	251	2,062
Total		**31,600**	**0**	**31,600**	**30,767**	**0**	**30,767**	**833**	**29,237**

Net Cash Requirement 2020-21

				2020-21	2019-20
	SoPS Note	Estimate	Outturn	Net outturn compared with Estimate: saving/ (excess)	Total Outturn
		£'000	£'000	£'000	£'000
Net cash requirement	3	29,374	27,973	1,401	**26,986**

Administration Costs 2020-21

		2020-21		2019-20
	Estimate	Outturn		Total Outturn
	£'000	£'000		£'000
	29,200	28,818		**27,175**

Figures in the areas outlined in bold are control limits voted by Parliament. In addition, although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

All Estimate and Outturn balances disclosed under the Departmental Expenditure Limit relate to administration costs. All estimate and outturn balances disclosed under Annually Managed Expenditure are classified as programme costs and relate to transactions in respect of Provisions.

Notes to the Statement of Parliamentary Supply

SoPS 1. Net outturn

SoPS 1.1 Analysis of net Resource Outturn by section

	2020-21									2019-20
	Outturn							Estimate		Outturn
	Administration			Programme						
	Gross	Income	Net	Gross	Income	Net	Total	Net total	Net total compared to estimate	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Spending in department expenditure limit										
Voted: Giving the public confidence in the integrity of charities										
	30,206	(1,388)	28,818	0	0	0	**28,818**	29,200	382	**27,175**
	30,206	**(1,388)**	**28,818**	**0**	**0**	**0**	**28,818**	**29,200**	**382**	27,175
Annually managed expenditure										
Voted: Giving the public confidence in the integrity of charities										
	0	0	0	0	0	0	0	200	200	**0**
Total	**30,206**	**(1,388)**	**28,818**	**0**	**0**	**0**	**28,818**	**29,400**	**582**	**27,175**

SOPS 1.2 Analysis of net Capital Outturn by section

	2020-21					2019-20
	Outturn			Estimate		Outturn
	Gross	Income	Net	Net	Net total compared to estimate	Net
Spending in department expenditure limit Voted: Giving the public confidence in the integrity of charities	1,949	0	1,949	2,200	251	**2,062**
Total	**1,949**	**0**	**1,949**	**2,200**	**251**	2,062

SoPS 2 Reconciliation of net Resource Outturn to net operating expenditure

		2020-21	2019-20
	SoPS Note	£'000	£'000
Total Resource Outturn in Statement of Parliamentary Supply	1.1	28,818	27,175
Net operating expenditure in Statement of Comprehensive Net Expenditure		**28,818**	**27,175**

As noted in the introduction to the SoPS above, Outturn and the Estimates are compiled against the budgeting framework, which is similar to, but different from, IFRS. Therefore, this reconciliation bridges the resource Outturn to net operating expenditure, linking the SoPS to the financial statements.

SoPS 3 Reconciliation of net Resource Outturn to net cash requirement

		Estimate	Outturn	Net total Outturn compared with Estimate: Saving/(Excess)
	SoPS note	£'000	£'000	£'000
Resource Outturn	**1.1**	**29,400**	**28,818**	**582**
Capital Outturn	**1.2**	**2,200**	**1,949**	**251**
Accruals to cash adjustments: Adjustments to remove non-cash items:				
Depreciation/Amortisations		(1,950)	(1,895)	(55)
Revaluations		0	(42)	42
New provisions		(200)	0	(200)
Auditors remuneration		(76)	(67)	(9)
Adjustments to reflect movements in working balances:				
Increase/(decrease) in trade and other receivables		0	364	(364)
(Increase)/decrease in trade and other payables		0	(1,154)	1,154
Net cash requirement		29,374	27,973	1,401

As noted in the introduction to the SoPS above, Outturn and the Estimates are compiled against the budgeting framework, not on a cash basis. Therefore, this reconciliation bridges the Resource and Capital Outturn to the net cash requirement.

SoPS 4 Amounts of income to the Consolidated Fund

	Outturn Total		Prior Year 2019-20	
	Accruals	Cash Basis	Accruals	Cash Basis
	£'000	£'000	£'000	£'000
Income outside the ambit Estimate	0	0	0	0
(Excess) cash surrenderable to the Consolidated fund	0	0	0	0
Total payable to the Consolidated fund	**0**	**0**	**0**	**0**

Regularity of expenditure (audited)

There are no material losses and special payments for the year. There are no material remote contingent liabilities for the year.

Fees and charges disclosure requirements under Managing Public Money are met in Note 3 to the Accounts. The column headed 'Other Government Funded projects' relates wholly to services for which costs are fully recovered.

Helen Stephenson
Chief Executive and Accounting Officer
5 July 2021

ACCOUNTABILITY REPORT

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

Opinion on financial statements

I certify that I have audited the financial statements of the Charity Commission for the year ended 31 March 2021 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual.

I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Accountability Report that is described in that report as having been audited.

In my opinion, the financial statements:

- give a true and fair view of the state of the Department's affairs as at 31 March 2021 and of the Department's net operating expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2021 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Charity Commission in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

ACCOUNTABILITY REPORT

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Charity Commission's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Charity Commission's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Charity Commission is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

Other Information

The other information comprises information included in the Annual Report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's certificate thereon. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Charity Commission and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports. I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Report Manual are not made; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing the Charity Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Charity Commission will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, the Charity Commission's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Charity Commission's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Charity Commission's controls relating to the Charities Act 2011;
- discussing among the engagement team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals and bias in estimates prepared by management; and
- obtaining an understanding of the Charity Commission's framework of authority as well as other legal and regulatory frameworks that the Charity Commission operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Charity Commission. The key laws and regulations I considered in this context included the Government Resources and Accounts Act 2000, Managing Public Money, employment law, tax legislation and the Charities Act 2011.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and the Audit Committee concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give

ACCOUNTABILITY REPORT

reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies

Gareth Davies
Comptroller and Auditor General
12 July **2021**

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Part 6 Resource Accounts

Contents

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2021

This account summarises the expenditure and income generated and consumed on an accruals basis.

The notes on pages 75 to 86 form part of the financial statements.

		2020-21	2019-20
	Note	£'000	£'000
Operating income	5	(1,388)	(1,823)
Total operating income		(1,388)	(1,823)
Staff costs	4	21,841	20,099
Other administration costs	4	8,365	8,899
Total operating expenditure		30,206	28,998
Net operating expenditure		28,818	27,175

Statement of Financial Position

As at 31 March 2021

The Statement of Financial Position is a summary of all the Commission's assets and liabilities as at 31 March 2021.

The notes on pages 75 to 86 form part of the financial statements.

		31 March 2021	31 March 2020
	Note	£'000	£'000
Non-current assets:			
Property, plant and equipment	6	844	749
Intangible assets	7	5,827	5,910
Total non-current assets		**6,671**	**6,659**
Current assets:			
Trade, other receivables and prepayments	10	1,483	1,119
Cash and cash equivalents	9	1,401	487
Total current assets		**2,884**	**1,606**
Total assets		**9,555**	**8,265**
Current liabilities:			
Trade and other payables	11	(5,946)	(3,878)
Total current liabilities		**(5,946)**	**(3,878)**
Total assets less liabilities		**3,609**	**4,387**
Taxpayers' equity:			
General fund		3,609	4,387
Total taxpayers' equity		**3,609**	**4,387**

Helen Stephenson
Chief Executive and Accounting Officer
5 July 2021

Statement of Cash Flows

For the year ended 31 March 2021

The Statement of Cash Flows records the actual transfer of cash into and out of the Commission during the financial year.

The notes on pages 75 to 86 form part of the financial statements.

		2020-21	2019-20
	Note	£'000	£'000
Cash flows from operating activities:			
Total Net operating expenditure		**(28,818)**	**(27,175)**
Non-cash transactions	4	2,007	2,329
Increase in trade and other receivables	10	(364)	(33)
Increase in trade and other payables	11	1,154	(45)
Net cash outflow from operating activities		**(26,021)**	**(24,924)**
Cash flows from investing activities			
Purchase of plant, property and equipment	6	(388)	(345)
Purchase of intangible assets	7	(1,564)	(1,717)
Net cash outflow from investing activities		**(1,952)**	**(2,062)**
Cash flows from financing activities			
From Consolidated Fund (Supply) – current year		28,887	27,183
Net financing		**28,887**	**27,183**
Net (decrease)/increase in cash in the period		**914**	**197**
Cash and cash equivalents at the beginning of the period		**487**	**290**
Cash and cash equivalents at the end of the period		**1,401**	**487**

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2021

The Statement of Changes in Taxpayers' Equity summarises the movement in the net worth of the Commission.

The notes on pages 75 to 86 form part of the financial statements.

	Note	£'000
Balance at 1 April 2021		**4,387**
Non-cash charges – auditors' remuneration	4	67
Net operating cost for the year		(28,818)
Total recognised income and expense for 2020-21		(28,751)
Net Parliamentary Funding – drawn down		28,887
Net Parliamentary Funding – deemed		487
Supply payable		(1,401)
Balance as at 31 March 2021		**3,609**

Changes in taxpayers' equity for 2019-20		
	Note	£'000
Balance as at 1 April 2020		**4,511**
Non-cash charges – auditors' remuneration	4	65
Net operating cost for the year		(27,175)
Total recognised income and expense for 2019-20		**(27,110)**
Net Parliamentary Funding – drawn down		27,183
Net Parliamentary Funding – deemed		290
Supply payable		(487)
Balance as at 31 March 2020		**4,387**

RESOURCE ACCOUNTS

Notes to the Departmental Resource Accounts

1. General Information

The Charity Commission is an independent, non-ministerial government department, accountable to Parliament with our registered head office at: 102 Petty France, London, SW1H 9AJ.

Our responsibilities are:

- registering eligible organisations in England and Wales which are established for only charitable purposes
- taking enforcement action when there is malpractice or misconduct
- ensuring charities meet their legal requirements, including providing information on their activities each year
- making appropriate information about each registered charity widely available
- providing online services and guidance to help charities run as effectively as possible

2. Statement of accounting policies

These financial statements, which cover the accounting period 1 April 2020 to 31 March 2021, have been prepared in accordance with the Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Commission for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Commission are described below. They have been applied consistently in dealing with items that are considered material to the financial statements.

In addition to the primary statements prepared under IFRS, the FReM also requires the Commission to prepare one additional primary statement. The Statement of Parliamentary Supply and supporting notes show Outturn against Estimate in terms of the net resource requirement and the net cash requirement.

IFRS 9 (Financial instruments). As the cash requirements of the Department are primarily met through the Estimates process, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts to buy in non-financial items in line with the Department's expected purchase and usage requirements and the Department is therefore exposed to little credit, liquidity or market risk.

In common with other government departments, the group's liabilities are expected to be met by future grants of supply and the application of future income, both to be approved annually by Parliament. There is no reason to believe that future Parliamentary approval will not be forthcoming, and therefore, in accordance with FReM 2.2.3, it has been concluded as appropriate to adopt the going concern basis of preparation for these accounts.

A review has been undertaken of IFRS 15 and we have concluded that the Commission is fully compliant with its requirements. There has been no impact on these financial statements due to IFRS 15.

2.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment and intangible assets.

2.2 Property, plant and equipment

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis where that expenditure exceeds £1,000 and the benefit it yields has a life of more than one year. Expenditure on routine repairs and maintenance that does not add to the value of the asset is not capitalised. Grouped assets with a total value exceeding £1,000 and individual item value exceeding £500 are also capitalised.

Property, plant and equipment held for their service potential are stated at depreciated historical cost which is regarded as a suitable proxy for current value in use given their short lives and low value. Such expenditure includes any costs such as installation directly attributable to bringing them into working condition.

2.3 Intangible assets

Intangible assets are assets that do not have physical substance but are identified and controlled by the Commission and have a life of more than one year, such as software licences. Expenditure on intangible assets is initially recorded at cost. This includes directly attributable costs for bringing the intangible asset into use. Intangible assets will only be recognised where these costs exceed £1,000. Once the assets have been brought into use, they are amortised at a rate calculated to write them down to an estimated residual value on a straight-line basis over their estimated useful life. They are therefore stated at depreciated historical cost which is regarded as a suitable proxy for depreciated replacement cost as any indexation would not be material.

The Commission capitalises intangible assets in line with IAS 38. Projects are separated into two clearly identifiable stages (the research phase and the development phase). Costs are capitalised when the development phase is entered and there is a commitment and funding to see the project through to completion, bringing future benefit to the Commission.

2.4 Depreciation and Amortisation

Property, plant and equipment and intangible assets are depreciated/amortised at a rate calculated to write down their value to their estimated residual value on a straight-line basis over their estimated useful life. Depreciation on property, plant and equipment, and amortisation of intangible assets, is

applied in the year of acquisition for purchased assets or, in the case of assets under construction, in the year which the asset is brought into use. Asset life is normally in the following ranges:

- Information technology (equipment) 2-7 years
- Information technology (laptops) 3 years
- Furniture and fittings 5-7 years
- Leasehold improvements Term of lease or initial breakpoint
- IT databases (inc. management systems) 2-5 years
- Websites 5 years

2.5 Impairments

The value of databases and assets under construction are reviewed at the end of each financial year for evidence of reduction in value. Where an impairment is identified that is attributable to the clear consumption of future economic benefit, the loss is charged to the Statement of Comprehensive Net Expenditure.

2.6 Inventories

The Commission only holds inventories (stock) of stationery, computer spares and similar consumables for its own use. Due to the nature and low value of these items, they are not recorded in the Statement of Financial Position. The full cost of these items is recognised in the Statement of Comprehensive Net Expenditure at the point they are received.

2.7 Operating income

Operating income is income which relates directly to the operating activities of the Commission. Operating income is stated net of VAT. Income is recognised as it is earned. This income has been recognised as follows in line with IFRS 15 principles:

- Fees for services which are charged as a fixed annual fee for the service provided in that year have been recognised in full for that financial year on the basis that when the year comes to an end the service has been fully provided
- Fees charges to recover costs incurred where it has been agreed that these costs will be charged to other government departments have been recognised in line with when those costs have been recognised by the Commission

2.8 Administration expenditure

Administration expenditure reflects the costs of running the Commission. The classification of expenditure as administration follows the definition of administration costs set by HM Treasury.

2.9 Foreign currency

As part of the Commission's International Programme, work is undertaken in foreign countries and expenditure will be incurred in the local currency. These transactions are converted into £ Sterling using the exchange rate at, or close to, the official exchange rate on the date of the transaction.

2.10 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme and alpha scheme, which are described in the Remuneration Report. The Commission recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the schemes of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS and alpha, and is not, therefore, reflected in the Commission's Statement of Financial Position. In respect of the defined contribution schemes, the Commission recognises the contributions payable for the year.

2.11 Leases

The Commission holds only operating leases as recognised under International Accounting Standard (IAS) 17. A lease is classified as a finance lease if a substantial element of the risk and reward associated with ownership of the asset is borne by the Commission. All other leases are classified as operating leases. Rental payments due in respect of operating leases are charged directly to the Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the lease.

2.12 Provisions

Where the Commission incurs a legal or constructive liability to make a payment, the amount and timing of which are uncertain at the Statement of Financial Position date, a provision is created on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by the Treasury (currently 0.2% for short-term provisions).

2.13 Value added tax

Most of the activities of the Commission are outside the scope of VAT. In general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT on revenue expenditure is charged to the Statement of Comprehensive Net Expenditure. VAT incurred on capital expenditure is included within the cost of property, plant and equipment and intangible assets. Where output VAT is charged or input VAT is recoverable, the amounts are stated net of VAT.

2.14 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, the Commission discloses for Parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Managing Public Money. Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at

discounted amounts and the amount reported to Parliament noted separately. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

2.15 Significant estimates and judgements

The Commission is required, when applying its accounting policies, to make certain judgements, estimates and associated assumptions relating to assets, liabilities, income and expenditure. These judgements, estimates and associated assumptions are based on knowledge of current facts and circumstances, assumptions concerning past events and forecasts of future events and actions. Actual results may differ from the estimates stated for the provisions and the useful economic lives of the tangible and intangible assets.

3. Statement of Operating Costs by Operating Segment

For internal reporting purposes, the Charity Commission operates two segments: Charity Commission core business and other Government funded projects. The other Government funded projects are reported separately as they have their own funding streams and are operated as distinct units within the Commission. The primary financial statements record the total income, expenditure, assets and liabilities of the Charity Commission and the other Government funded projects. The note below shows the amounts attributable to the two segments.

	2020-21			2019-20		
	£'000			£'000		
	Charity Commission: core business	Other government funded projects	Total	Charity Commission: core business	Other government funded projects	Total
Gross Expenditure	28,818	1,388	**30,206**	27,175	1,823	**28,998**
Income	0	(1,388)	**(1,388)**	0	(1,823)	**(1,823)**
Net Expenditure	28,818	0	**28,818**	27,175	0	**27,175**
Total Assets	**9,284**	**271**	**9,555**	**8,003**	**262**	**8,265**
Total Liabilities	**(5,896)**	**(50)**	**(5,946)**	**(3,823)**	**(55)**	**(3,878)**
Net Assets	3,388	221	**3,609**	4,180	207	**4,387**

4. Expenditure

	Note	2020-21 £'000	2019-20 £'000
Staff Costs:			
Wages and salaries		15,129	14,147
Social security costs		1,575	1,442
Other pension costs		3,892	3,573
Agency staff		737	790
Severance costs		496	209
Increase in IAS 19: employee benefits accrual		136	73
Total		**21,965**	**20,234**
Charged to Capital		(124)	(135)
Total net staff costs		**21,841**	**20,099**
Goods and services:			
Rentals under operating leases		830	1,087
Travel, subsistence and staff related costs		466	1,056
Accommodation		567	248
Office services		210	241
Contracted services/consultancy		1,243	907
Information systems and telephony		2,783	2,709
Specialist services		258	319
Losses and special payments		1	3
Total Goods and services		**6,358**	**6,570**
Non-cash items:			
Depreciation	6	288	258
Amortisation	7	1,607	1,998
Revaluation/re-lifed assets	6 & 7	42	8
Loss on disposal of fixed asset	6 & 7	3	0
Auditors' remuneration		67	65
Total non-cash items		**2,007**	**2,329**
Total expenditure		**30,206**	**28,998**

The amount spent on consultancy during the year was £64,800 (2019-20 £36,600). Further analysis on staff numbers, compensation scheme packages and pension disclosure can be found within the accountability report.

Auditors

This year's resource accounts have been audited by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General. No further services were provided by the NAO. The cost of audit work was £65,500 (2019-20: £64,000). In addition, a fee of £1,250 (2019-20: £1,200) was charged to the Commission in 2020-21 for the audit of the Official Custodian of Charities' 2020-21 Financial Statements.

5. Income

	2020-21 £'000	2019-20 £'000
Income received from other UK government departments:		
Income to support Home Office initiatives	1,164	1,442
Income in respect of services rendered	46	50
Income to support DCMS initiatives	178	331
Total income	**1,388**	**1,823**

6. Property, plant and equipment

	Information technology	Furniture and fittings	Leasehold improvements	Total
	£'000	£'000	£'000	£'000
2020-21				
Cost or valuation				
At 1 April 2020	2,114	6	517	**2,637**
Additions	388	0	0	**388**
Disposals	(209)	0	0	**(209)**
Impairments	(2)	0	0	**(2)**
At 31 March 2021	**2,291**	**6**	**517**	**2,814**
Depreciation				
At 1 April 2020	1,478	6	404	**1,888**
Charged in year	271	0	17	**288**
Disposals	(206)	0	0	**(206)**
At 31 March 2021	**1,543**	**6**	**421**	**1,970**
Net Book Value at 31 March 2020	**636**	**0**	**113**	**749**
Net Book Value at 31 March 2021	**748**	**0**	**96**	**844**
2019-20				
Cost or valuation				
At 1 April 2019	2,068	63	525	**2,656**
Additions	345	0	0	**345**
Disposals	(299)	(57)	0	**(356)**
Impairments	0	0	(8)	**(8)**
At 31 March 2020	**2,114**	**6**	**517**	**2,637**
Depreciation				
At 1 April 2019	1,575	62	348	**1,985**
Charged in year	202	1	56	**259**
Disposals	(299)	(57)	0	**(356)**
At 31 March 2020	**1,478**	**6**	**404**	**1,888**
Net Book Value at 31 March 2019	**493**	**1**	**177**	**671**
Net Book Value at 31 March 2020	**636**	**0**	**113**	**749**

All assets are owned by the Commission. There are no assets held under finance leases (nil in 2019-20).

7. Intangible assets

	Databases and management systems	Websites	Licenses	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
2020-21					
Cost or valuation					
At 1 April 2020	14,877	0	0	1,373	**16,250**
Additions	0	0	0	1,564	**1,564**
Transfers	2,542	0	0	(2,542)	**0**
Disposals	(2,819)	0	0	0	**(2,819)**
Impairments	0	0	0	(40)	**(40)**
At 31 March 2021	**14,600**	**0**	**0**	**355**	**14,955**
Amortisation					
At 1 April 2020	10,340	0	0	0	**10,340**
Charged in year	1,607	0	0	0	**1,607**
Disposals	(2,819)	0	0	0	**(2,819)**
At 31 March 2021	**9,128**	**0**	**0**	**0**	**9,128**
Net book value at 31 March 2020	**4,537**	**0**	**0**	**1,373**	**5,910**
Net book value at 31 March 2021	**5,472**	**0**	**0**	**355**	**5,827**
2019-20					
Cost or valuation					
At 1 April 2019	15,613	0	0	0	**15,613**
Additions	0	0	0	1,717	**1,717**
Transfers	344	0	0	(344)	**0**
Disposals	(1,080)	0	0	0	**(1,080)**
At 31 March 2020	**14,877**	**0**	**0**	**1,373**	**16,250**
Amortisation					
At 1 April 2019	9,422	0	0	0	**9,422**
Charged in year	1,998	0	0	0	**1,998**
Disposals	(1,080)	0	0	0	**(1,080)**
At 31 March 2020	**10,340**	**0**	**0**	**0**	**10,340**
Net Book Value at 31 March 2019	**6,191**	**0**	**0**	**0**	**6,191**
Net Book Value at 31 March 2020	**4,537**	**0**	**0**	**1,373**	**5,910**

All intangible assets are owned by the Commission. There are no intangible assets held under finance leases (nil in 2019-20). Assets under construction represent expenditure on IT developments.

8. Capital and other commitments

8.1 Capital commitments

As at 31 March 2021, the Commission had no capital commitments (nil as at 31 March 2020).

8.2 Operating leases

Total future minimum lease payments under operating leases are given in the table below, analysed according to the period in which the lease expires.

	2020-21	2019-20
	£'000	£'000
Obligations under operating leases comprise: Buildings		
Not later than one year	900	1,300
Later than one year and not later than five years	2,096	2,470
Later than five years	1,372	1,904
	4,368	**5,674**

The Charity Commission holds leases on four sites where rent is calculated on floor area utilised.

9. Cash and cash equivalents

	2020-21	2019-20
	£'000	£'000
Balance at 1 April	**487**	**290**
Net change in cash and cash equivalent balances	914	197
Balance at 31 March	**1,401**	**487**
The following balances at 31 March were held at:		
Government Banking Services	1,401	487
Balance at 31 March	**1,401**	**487**

The Commission holds no cash equivalents.

10. Trade, other receivables and prepayments

	2020-21	2019-20
	£'000	£'000
Amounts falling due within one year:		
VAT	376	355
Other receivables	67	52
Prepayments and accrued income	1,040	712
	1,483	**1,119**

11. Trade and other payables

	2020-21	2019-20
	£'000	£'000
Amounts falling due within one year:		
Taxation and social security	446	396
Trade payables	1,719	919
Other payables	0	1
Staff exit costs	452	141
Accruals and deferred income	1,928	1,934
Amounts issued from the Consolidated Fund for Supply but not spent at year end*	1,401	487
	5,946	**3,878**

*For the purposes of the Cash flow Statement, movements in these figures are excluded.

11.1 Legal

The Commission had no material legal commitments or liabilities as at 31 March 2021 (nil as at 31 March 2020).

12. Contingent liabilities

The Commission has no contingent liabilities judged to be material at 31 March 2021 (nil as at 31 March 2020).

13. Related party transactions

During the year 2020-21, no Board Member, key manager or other related parties undertook any material transactions with the Commission except remuneration (Board and senior staff salaries are disclosed within the accountability report). As an entity, the Commission had a small number of transactions with other government departments and other central government bodies. These transactions were with the Ministry of Justice, the Home Office, the Department for Work and Pension, the Office of National Statistics, the Office of Civil Society (part of the DCMS), the Government Internal Audit Agency, and the Charity Commission for Northern Ireland. All transactions were undertaken on arm's length terms.

14. Events after the reporting period date

There have been no events after the Statement of Financial Position date requiring an adjustment to the financial statements. The Annual Report and Accounts were authorised for issue on the same date that the Comptroller and Auditor General signed his Certificate.

Glossary (not audited)

Accruals

Income or expenditure relating to the financial year which had not been received or paid by the financial year end but is reflected in the financial statements.

Amortisation

The writing off of the value of an intangible asset over the useful life of that asset.

Annually Managed Expenditure (AME)

Expenditure incurred by the Commission that falls outside the scope of DEL control totals. In general, this relates to the creation of and increase to provisions.

Capital expenditure

Expenditure greater than £1,000 on the acquisition or construction of plant, property and equipment and intangible assets, or on enhancing the value of such assets. Grouped assets with a total value exceeding £1,000 and individual item value exceeding £500 are also capitalised. All laptops are capitalised.

Consolidated Fund

The Government's 'current account' operated by HM Treasury and used to finance central government spending. The main source of income to the Fund is taxation receipts.

Contingent liability

A possible liability to make a future payment that is dependent on the outcome of certain events, for example, legal action.

Corporate governance

The systems and processes by which organisations are directed and controlled to ensure they meet their aims and fulfil statutory requirements.

Delegated Expenditure Limit (DEL)

A control total specified for the Commission. Separate DELs are set for Resource and Capital. The Commission's expenditure cannot exceed its DEL.

Depreciation

The measure of wearing out, consumption or other reduction in the useful economic life of property, plant and machinery.

Estimate/Supply Estimate

A summary of the resources and cash voted by Parliament to the Commission for the financial year, against which we monitor our expenditure.

RESOURCE ACCOUNTS

Excess Vote
Additional funding that is approved by Parliament where expenditure by a government department exceeds the Estimate for the financial year.

Finance lease
A lease that transfers substantially the risks and rewards of ownership of the asset to the lessee.

Financial Instrument
A contract that gives rise to a financial asset for one party and a financial liability to another party.

Financial Reporting Manual (FreM)
The technical accounting guide to preparing the financial statements of Government Departments, written by HM Treasury.

General Fund
This represents the historic costs of the total assets less the liabilities of the Commission. It is included in Taxpayers' Equity in the Statement of Financial Position.

Impairment
The reduction in value of plant, property and equipment and intangible assets reflecting either the consumption of economic benefits, such as obsolescence, or physical damage, or a general fall in prices.

International Financial Reporting Standards (IFRS)
The financial reporting standards under which the Commission's financial statements are prepared. IFRSs are set by the International Accounting Standards Board.

Managing Public Money
HM Treasury publication setting out the principles Government Departments should follow when dealing with resources.

Materiality
The extent to which a misstatement or omission in the financial statements might reasonably be expected to impact on the understanding of the reader.

National Audit Office (NAO)
The external auditors of the Commission.

Net book value
The amount at which non-current assets are included in the Statement of Financial Position after providing for amortisation, depreciation and revaluations.

Net Cash Requirement
The amount of cash to be released from the Consolidated Fund to fund the Commission's expenditure for the financial year. The Net Cash Requirement will be different from the DEL as DEL takes into account 'non-cash' expenditure such as depreciation and notional charges for which there is no physical transfer of cash.

Net current replacement cost
The current cost of replacing or recreating an asset in its existing use.

Net resource out-turn
The net total of income and expenditure of the Commission during the financial year.

Non cash transactions
Items of expenditure that are recognised in the Commission's financial statements but do not give rise to the physical transfer of cash, for example, depreciation.

Operating lease
A lease where the risks and rewards of ownership of the asset rest substantially with the lessor.

Outturn
The actual level of expenditure and income for the financial year.

Prepayment
Payment in the current financial year for goods or services to be received or provided in the next financial year.

Provisions
Amounts set aside to fund known liabilities relating to the current or previous financial years, the exact timing and amount of which is uncertain.

Resource Expenditure
Expenditure on non-capital related activity, which is either subject to the Delegated Expenditure Limit (DEL) or Annually Managed Expenditure (AME).

Supply
The resources voted to the Commission by Parliament.

Trade Payables and Receivables
Payables are amounts the Commission owes for goods and services received in the financial year for which payment has not been made by the year end. Receivables are amounts owing to the Commission for goods or services provided in the financial year for which payment has not been received by the year end.

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