Presented pursuant to the Government Resources and Accounts Act 2000 c.20, s.6

Charity Commission

Resource Accounts
2007-08

LONDON: The Stationery Office
HC 618

11 July 2008
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(For the year ended 31 March 2008)

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Annual Report

This Annual Report is prepared and published as part of the Charity Commission's Resource Accounts for 2007-08 as required by the Financial Reporting Manual (FReM) produced by HM Treasury.

Further details of the Commission's activities, operations and performance against its targets for the year can be found in its Annual Report for 2007-08. Each year an Annual Report is presented to Parliament as required by the Charities Act 1993 as amended by the Charities Act 2006.

The Commission undertook a fundamental Strategic Review in 2005. This resulted in an amended vision, mission and values. These are summarised in the publication *'Charity working at the heart of society – the way forward 2005–2008'*. To reflect this change in strategy a revised set of Strategic Objectives has been agreed with HM Treasury. A revised strategy is currently being prepared as a result of the Comprehensive Spending Review settlement in 2007 and this will inform future reporting through to 2011.

The statutory Annual Report for 2007-08 will be available on the Commission's website at: www.charitycommission.gov.uk.

Scope

The Charity Commission is established by law as the regulator and registrar of charities in England and Wales.

As at 31 March 2008 there were about 190,000 registered charities of which about 170,000 were main charities listed on the Commission's Register of Charities with the remainder being subsidiaries or branches of main charities. In 2007-08, the gross annual income of all registered main charities exceeded £45 billion. The majority of registered main charities have an income of £10,000 or less. They represent nearly 56% of registered charities but have less than 1% of the income recorded. There are 695 charities with income over £10 million that account for just over 50% of the total income.

Governance

Role and composition of the Board

The Commission is a non-Ministerial Government Department. The Chief Executive is the Commission's Accounting Officer.

Governance responsibilities for strategy and future direction of the Commission rest with its Board, including the allocation of resources at a strategic level. The Board presently comprises the Chair and eight other members. The Board members are appointed to bring a range of knowledge and experience to the Commission. This includes knowledge of charity law, accounting and financing of charities and the operation and regulation of charities of different sizes and descriptions. One member is appointed for his knowledge of conditions in Wales.

The Board was expanded to its full complement in 2007-08 following governance changes arising from the implementation of the Charities Act 2006 in February 2007. Decisions of the Commission are independent from Ministerial direction or influence. Its formal decisions are challengeable in the High Court and the Charity Tribunal.

During 2007-08 the Board comprised:

Members of Board

Chair	Dame Suzi Leather DBE
Member	Lindsay Driscoll (until 31 January 2008)
Member	David Unwin (until 13 July 2007)
Member	John Williams
Member	Tess Woodcraft
Member	Simon Jones (from 16 July 2007)
Member	Sharmila Nebhrajani (from 1 July 2007)
Member	Dr Andrew Purkis OBE (from 1 July 2007)
Member	Theo Sowa (from 1 July 2007)
Member	Simon Wethered (from 1 July 2007)
Member	John Wood (from 1 February 2008)

The current Members were appointed by open competition for 3-year fixed term appointments, with the option of extension for a further one to two years. This option has been exercised in the case of John Williams and Tess Woodcraft.

Committees of the Board

The Board is supported by an Audit Committee and a Senior Civil Service Pay Committee (for details on this please refer to the Remuneration Report below).

Audit Committee

Committee Chair	Sharmila Nebhrajani (from 5 February 2008) David Taylor (until 5 February 2008)
Committee Member	Lindsay Driscoll (until 31 January 2008)
Committee Member	David Taylor – external non executive member (from 5 February 2008)
Committee Member	Simon Jones (from 5 February 2008)

The Board has established an Audit Committee to support it and the Chief Executive as Accounting Officer in his responsibilities for ensuring the adequacy of risk management, internal controls, efficient and effective use of public funds and financial governance arrangements within the Charity Commission.

The functions of the Audit Committee broadly follow the recommendations of HM Treasury's Audit Committee Handbook and its role includes responsibility for reviewing:

- strategic processes and arrangements for risk management, internal control and governance
- the annual Resource Accounts of the Commission and the Official Custodian for Charities
- planned activity and results of both internal and external audit
- adequacy of management response to issues identified by audit activity

- assurances relating to the corporate governance requirements of the Commission including the Internal Audit Annual Report and the opinion on the adequacy of the Commission's internal control systems
- matters relating to the appointment of internal and external auditors
- the terms of reference for internal audit and the arrangements for co-operation between internal and external audit.

The Audit Committee is an appointed Committee of the Board and normally meets at least four times annually. The Committee met on five occasions in 2007-08 in pursuance of these duties.

Executive Directors

Corporate decision making that affects the day-to-day operation of the Commission is delegated to the Chief Executive and the Directors Group comprising the Chief Executive and the Executive Directors. The Directors are each supported by teams comprising their own senior staff together with representatives of other key parts of the organisation.

As at 31 March 2008 the Directors comprised:

Chief Executive	Andrew Hind
Executive Director, Information & Corporate Services	Nick Allaway
Executive Director, Policy & Effectiveness	Rosie Chapman
Executive Director, Legal & Compliance	Kenneth Dibble
Executive Director, Charity Services	David Locke

The Chief Executive, Andrew Hind, was appointed via open competition for a period of four years commencing 4 October 2004. This contract has been extended by two years to 4 October 2010.

Two Directors, Rosie Chapman and Nick Allaway, were appointed via open competition. The other two directors, Kenneth Dibble and David Locke, were appointed through an internal competition. All four Directors were appointed under permanent staff terms and their contracts can be terminated (subject to an agreed period of notice, relevant to the circumstances, given in writing) by the individual Director, by the Commission or by mutual consent.

The remuneration of the Chief Executive and other members of senior management is informed by the Senior Salaries Review Body. Details on the costs, remuneration and pension arrangements for the Commission's Board and senior managers can be found in the Remuneration Report below.

Governance Framework

The current Governance Framework can be found on the Commission's website at: www.charitycommission.gov.uk. This Governance Framework was revised to reflect the changes as a result of the implementation of the Charities Act 2006. It was adopted by the Board at its meeting in February 2007.

Equality and Diversity Policy

The Commission is committed to valuing equality and diversity. We will provide not only a working environment that is free from discrimination, harassment and victimisation, where everyone will receive fair and equal treatment related to effective performance in their job, but we will also harness the different perspectives and skills of everyone, and make full use of them in our work. We are creating an ethos throughout the Commission in which we respond to the needs of our colleagues and customers, where diversity is truly valued and where everyone is treated with dignity and respect.

The Commission has appointed a Board Member, Tess Woodcraft, as its Diversity Champion. We are working to comply with the Civil Service 10-Point Plan on Diversity. The Commission's employment policies incorporate relevant employment law and best practice to ensure the organisation does not discriminate against anyone who works for it or comes into contact with the Commission. The Commission has in place equality schemes for race, disability and gender. The Commission monitors its workforce against diversity targets covering ethnicity, gender and disability, and provides diversity training to all staff.

The Commission adheres to the Civil Service Code of Practice on the Employment of Disabled People. The Code ensures that the Commission does not discriminate on grounds of disability. Access to employment and career advancement is based solely on competence required for the job and individual ability. The Commission also participates in the “two ticks” Disability Symbol programme, and has established a Disability Forum for the benefit and support of staff.

Employee Relations

The Commission is committed to creating and maintaining effective employee relations, both directly between line managers and their staff, and indirectly between management and the trade unions (PCS, Prospect and FDA). The Commission’s senior management promotes a spirit of co-operation and partnership between all concerned, in the interests of productivity, efficiency and the well being of all Commission staff. This means recognising the responsibilities of managers to manage, the need for good communications with staff and their representatives, and timely consultation (and where appropriate, negotiation) on issues affecting staff and their conditions of service.

Environmental Sustainability

The Commission has in place a Sustainability Action Plan setting out the Commission’s approach to sustainable development and the actions it will be taking in the near future. This plan is available on the Commission’s website.

Payment of Suppliers

The Commission has signed up to the CBI’s Better Payment Practice Code and it is committed to paying all undisputed invoices within 30 days of the later of receipt of goods and services or receipt of the invoice. During the year the percentage of invoices paid within 30 days was 97.1%, a slight decrease compared to the previous (2006-07) year’s performance of 97.6%.

Register of Interests

In common with other public bodies, the Commission has arrangements under which potential conflicts of interest can be recognised and managed. Commissioners on appointment are able to continue to serve as trustees or officers in charities. It is also normal for those whose livelihoods require professional involvement with charities, to continue with it, provided that it is transparent and is not inconsistent with the Commission’s regulatory role.

As a matter of practice the Chair and the Chief Executive are required not to hold trusteeships during their term of office. Where the circumstances of a Member or Director involves, or might appear to involve, clear potential for a material conflict of interest in his or her official role, he or she will declare this position, and withdraw from related Commission business and discussions.

The register of interests, listing the involvement of Members and Directors with charities, both current and past, is open to the public and is published on our website.

Auditors

This year’s Resource Accounts have been audited by the National Audit Office on behalf of the Comptroller and Auditor General. No further audit services were received aside from that of Statutory Audit by the NAO. The cost of audit work was £60,000, (£60,000 for 2006-07), which is solely related to audit services and is a notional cost (see note 8).

As far as the Accounting Officer is aware, there is no relevant audit information of which the National Audit Office are unaware, and the Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

Management Commentary

Aim

The Commission's aim is to provide the best possible regulation of charities in England and Wales in order to increase charities' efficiency and effectiveness and public confidence and trust.

Objectives and Principal Activities

For 2007-08 the Commission agreed with HM Treasury the following key strategic objectives:

- Continually improving services, assisting charities to deliver;
- Proportionate regulation;
- Guiding charities in complying with their legal obligations;
- Sharing knowledge and working together across the sector;
- Enhancing trustees' knowledge and understanding; and
- Increasing public understanding and support for charities.

Charities Act 2006

The Charities Act 2006 includes 5 new statutory objectives for the Commission. These objectives are:

1. Public Confidence:	to increase public trust and confidence in charities;
2. Public Benefit:	to promote awareness and understanding of the operation of the public benefit requirement;
3. Compliance:	to promote compliance by charity trustees with their legal obligations in exercising control and management of the administration of their charities;
4. Charitable Resources:	to promote the effective use of charitable resources; and
5. Accountability:	to enhance the accountability of charities to donors, beneficiaries and the general public.

The Corporate Plan for 2008-11 will reflect the new statutory objectives. Our Key Performance Indicators will remain the same and will be aligned with the new objectives as shown below:

KPI 1 - Improve the level of public trust and confidence in charities.	Objective 1 – Public Confidence
KPI 2 – Achieve standards of service delivery and effectiveness acceptable to our customers, whilst increasing use of our online services annually.	Objective 4 – Charitable Resources
KPI 3 – Enhance the accountability and transparency of charities by making key information about individual charities more readily available to the public.	Objective 5 - Accountability
KPI 4 – Improve the efficiency of formal investigations into charities begun after 1 April 2006 by completing them more quickly and with clear reported outcomes.	Objective 3 – Compliance
KPI 5 – Demonstrate our impact on the charitable sector by increasing the sector's income we directly regulate through our substantive contact with charities.	Objective 4 – Charitable Resources
KPI 6 – Promote awareness and understanding of the public benefit requirement.	Objective 2 – Public Benefit

2007 Comprehensive Spending Review

The 2007 Comprehensive Spending Review settlement for 2008-11 resulted in a consolidated increase to the Commission's vote funding of £1.5m in 2007-08, taking base funding for the year to £31.743m, and access to modernisation funds of £3m. The baseline increase was to fund the costs of implementation of the Charities Act 2006, excluding costs of regulating public collections. Vote funding for the years 2008-11 is subject to a 5% real terms per annum reduction from this revised baseline of £31.743m.

The modernisation fund is to enable the Commission to operate within the above limits by funding any restructuring of Commission activities via staff severances and accommodation rationalisation or capital investment (IT infrastructure). As part of the CSR 07 settlement the amount of capital funds available in 2007-08 reduced from £1.4m to £0.9m declining to £0.7m for 2008-11.

Review of Operational Performance

Achievement of the Commission's strategic objectives is measured by reporting on performance against 6 Key Performance Indicators (KPIs) which have been agreed with HM Treasury and are formally set out in the Commission's Corporate Plan for 2006-08, which can be viewed on our website at www.charitycommission.gov.uk

There are six top-level KPIs, each of which is measured via a number of different targets covering the range of our work. Not all of these KPIs have annual targets and some will provide cumulative results over a period of years. We formally report back to the Treasury annually on our achievement against our KPIs and also against the wider commitments set out in more detail in the Corporate Plan.

KPI 1 – Improve the level of public trust and confidence in charities
This KPI relates to our statutory public confidence objective, 'to increase public trust and confidence in charities'.

	Target	**Achievement**
Public survey to assess the overall level of trust in charities	To continuously improve ratings over 2005 baseline	6.6 out of 10, up from 6.3 in 2005
Stakeholder survey of the Commission's effectiveness as the charity sector's regulator	To continuously improve ratings over 2004 baseline (63.1% in 2006, 49.3% in 2004)	Biennial survey. Next survey due 2008-09
20 key operational targets met	75%	85%

KPI 2 – Achieve standards of service delivery and effectiveness acceptable to our customers, whilst increasing use of our online services annually
This KPI relates to Government standards for service delivery and our strategic objective, 'continually improving services, assisting charities to deliver'.

	Target	**Achievement**
Percentage of customer surveys across operational areas who said we do a very good job*	70%	86%
Percentage of individuals or charities at first point of contact, Charity Commission Direct, who said we provided the service they required	90%	To be measured next in 2009 (2006-07 achievement was 94%) Won the Operational Delivery category in the Whitehall and Westminster World Civil Service Awards 2007

Increase in take-up of online services	4% increase on previous year	Annual reports: 29% increase Accounts: 19% increase
Increase in our publications sent out electronically or directly downloaded	4% increase on benchmark – 1.5 million hits	0.9 million hits**
Average time taken to deal substantively with letters	15 days	7 days
Average time taken to deal substantively with emails	50% within 5 days	94% within 5 days

* Previously we have included ‘good’ in this measure with a target of 90%

** 2006-07 data is not an accurate benchmark for comparison with 2007-08 because of changes made to the method of calculating hits on our website in 2007-08. A new method of collecting data from 2008-09 will give an accurate benchmark to monitor progress against this key target.

KPI 3 – Enhance the accountability and transparency of charities by making key information about individual charities more readily available to the public

This KPI relates to our statutory accountability objective, ‘to enhance the accountability of charities to donors, beneficiaries and the general public’ as well as our strategic objectives involving ‘proportionate regulation’ and ‘guiding charities in complying with their legal obligations’.

	Target	**Achievement**
Annual audit of the accuracy of the register of charities	97.5% correct	98.6% correct
Proportion of charities for which the most recent due accounts and annual returns are held	Accounts: 92% Returns: 92%	Accounts: 88% Returns: 90%
Proportion of the sector’s total income for which the most recent due accounts and annual returns are held	Accounts: 99% Returns: 99%	Accounts: 98% Returns: 97%
Proportion of charities filing accounts and annual returns within the 10-month legal deadline	Accounts: 75% Returns: 75%	Accounts: 74% Returns: 75%
Proportion of the sector’s total income for which accounts and annual returns have been filed within the 10-month legal deadline	Accounts: 90% Returns: 90%	Accounts: 92% Returns: 89%
Proportion of charities with annual income of over £1 million for which the most recent due summary information returns are held	75%	77%

KPI 4 – Improve the efficiency of formal investigations into charities begun after 1 April 2006 by completing them more quickly and with clear reported outcomes

This KPI relates to our statutory compliance objective, ‘to promote compliance by charity trustees with their legal obligations in exercising control and management of the administration of their charities’ as well as our strategic objective, ‘guiding charities in complying with their legal obligations’.

	Target	**Achievement**
Percentage of formal investigations completed satisfactorily within nine months of commencement	95%	76%*
Where published investigation reports are necessary, percentage of those reports published within three months of the completion of the investigation	95%	31%**

*There is a need for this KPI to be further refined. From 1 April 2008, the new inquiry indicators will be a target of 100% completion of inquiries within an average of 9 months, excluding inquiries delayed because of the involvement and investigations of other regulators/agencies.

**Delays in publishing inquiry reports were mainly to avoid prejudicing other regulators/agencies, including police investigations and the handling of sensitive issues or where we have been actively engaging with charities to resolve issues and reach agreements.

KPI 5 – Demonstrate our impact on the charitable sector by increasing the sector's income we directly regulate through our substantive contact with charities

This KPI relates to our statutory charitable resources objective, 'to promote the effective use of charitable resources' as well as our strategic objectives 'sharing knowledge and working together across the sector' and 'enhancing trustees' knowledge and understanding'.

	Achievement
Income of charities having substantive engagement with us during the year	£27.3 billion (£26.0 billion in 2006-07)

KPI 6 – Promote awareness and understanding of the public benefit requirement

This KPI relates to our statutory public benefit objective, 'to promote awareness and understanding of the operation of the public benefit requirement'.

The public benefit requirement became law on 1 April 2008. Outcomes towards meeting this KPI in 2007-08 include:

- Analysing nearly 1,000 responses to our *Consultation on draft public benefit guidance* to inform our publication of *Charities and public benefit: summary guidance for charity trustees* in January 2008.

- In February 2008 publishing 4-month consultations on draft supplementary guidance on public benefit and:

    - the prevention and relief of poverty;
    - the advancement of religion;
    - the advancement of education; and
    - fee-charging charities.

- A comprehensive programme of Public Affairs engagement. This has included: Parliamentary mailings; one-to-one meetings with key politicians such as Ministers and Shadow Ministers; a series of briefing events for MPs; and an appearance at the Public Administration Select Committee. We have also begun to engage with the Welsh Assembly Government and key Assembly Members on this issue.

- Proactive communications work with the national, regional, legal and charity sector press about our summary guidance and draft supplementary consultations on public benefit. The combined broadcast, consumer, national, regional, trade and web circulation provided 855 million opportunities to view with 64% of this coverage evaluated as positive.

Achieving Strategic Objectives

Progress to Date

While this has been an exceptionally eventful year for us, it has also proved challenging. With a reduction in our funding of 5% in real terms for each of the next three years, we have had to make difficult decisions about our activities and resources. In this context, we have prioritised our compliance function which is key to our regulatory role. Public trust and confidence in charity depends on consistent and confident regulation and ensuring charities operate within the law and meet their statutory responsibilities. This will remain at the heart of what we do.

The Board is now at full strength, and represents a diverse range of experience and skills. Our service to our customers has been further improved this year by the introduction of online registration in January this year. Charities are now able to use the online facilities to do everything from sending in their annual returns and reports to updating their contact details.

In 2007, building on our Faith Groups programme, we established our Faith and Social Cohesion Unit (FSCU). Working in partnership with the Mosque and Imam National Advisory Body, which represents over 1,000 mosques, we held launch events in Birmingham and London this March for representatives of over 130 organisations. The conferences explained the role of the Unit, raised awareness about governance standards, the requirements of the Charities Act 2006 and explored the issues involved in charity registration.

Many of the provisions in the Charities Act 2006 came into force this year. These included provisions for charities to change outdated objects to bring them up to date, for charitable companies to alter their memorandum and articles and for smaller charities to transfer their assets or spend their capital. These 'nuts and bolts' provisions have the potential to significantly reduce expense and bureaucracy for charities and it's important that trustees are aware of the options now available.

Our single point of contact for all incoming enquiries, Charity Commission Direct, dealt with more questions than ever this year answering 186,207 calls. The high standards of the service were recognised by winning the Operational Delivery category in the Whitehall and Westminster World Civil Service Awards 2007. Our web-based database of questions and answers provides answers round-the-clock, responding to a further 294,830 enquiries during the year.

The new Annual Return introduced in 2007 is radically changing both the way in which charities report to us and how their information will be viewed in the future. Designed as a user-friendly online process, charities are now able to instantly update their entry on the public register. We have also introduced new ways for charities to report any serious incidents within the charity at an earlier opportunity, using our email and online service.

While actual incidents of charities being linked to terrorism are rare, it is vital that charities ensure they are not vulnerable to those who would try to use them for criminal ends. Our Special Investigations team deals with cases involving allegations of terrorist abuse within charities and has built up considerable specialist expertise in handling these types of allegations.

The Charities Act 2006 simplified the rules about when a professional audit is required and gave both company and non-company charities similar thresholds. This year, together with the Office of the Third Sector, we undertook a consultation to review all the regulatory and statutory reporting thresholds. Nearly 20% of registered charities would see their burden reduced if our recommendations are implemented.

The Charities Act 2006 highlighted the requirement that all charities' aims must be for the public benefit. Extensive consultation on our draft guidance resulted in an unprecedented number of responses. Our final general guidance on public benefit, *Charities and Public Benefit* was published in January 2008. We followed this general guidance with further consultations on supplementary guidance on the public benefit of charities set up to advance religion or education, relieve poverty and for those which charge fees. We aim to publish the supplementary guidance by the end of 2008, in advance of the first public benefit reports by charities in 2009.

Our public affairs function became fully established during the year. We held briefings for politicians to explain the public benefit requirement and appeared before the Public Administration Select Committee to discuss the issue. We have also undertaken a programme to raise awareness of the work of our Faith and Social Cohesion Unit with selected MPs.

Plans for 2008-11

The Corporate Plan for 2008-11 will summarise the further changes which will enable the Commission to meet the new Strategic Objectives. Some priorities are:

- ***Continuing our commitment to modern, risk-based regulation***

The voluntary nature of charities makes it particularly important to reduce the burden of regulation - we have set out our strategy for reducing the burden on charities by 25%. This means we must be even more focused on where and how we engage with charities as their regulator. We must continue to improve our service delivery and strive for excellence in all we do.

Where the risks are low we will enable charities to do better through self-regulation or lighter touch regulation. We will make our guidance and advice widely available so that self-service is possible for charities who are dealing with common, low-risk issues.

We will concentrate most effort on resolving problems where charities, their assets or their beneficiaries are at risk. We will offer advice and guidance to improve governance and resolve issues - where there is deliberate wrong-doing or a charity has been exploited we will act swiftly and rigorously. We have increased staff numbers in our Compliance Division by 50% to reflect the importance we place on this area of our work.

- ***Independent, objective decision-making and leadership***

Independent regulation means making objective decisions, based on the public interest and the facts of each individual case. The Charities Acts give us power to take decisions about issues relating to charities and we are not afraid to make difficult judgments. We must safeguard the public interest in charity and give leadership to the sector.

There may be times when people may not agree with our decisions and it is right that those affected should be able to challenge our conclusions. The new Charity Tribunal means our decisions can be tested more easily and will help charity law develop. This is an important development for the Commission and supports our role as independent regulator.

- ***Developing our organisation, motivating and building the expertise of our staff***

Only capable and motivated staff in the right roles, with the right tools and training to do their jobs effectively, will be able to deliver the services we want to offer. We are committed to building a diverse work force, providing excellent training, development and learning, and encouraging staff to make decisions appropriate to their knowledge and experience. We will build the expertise within the Commission through learning and development, talent management and strategic resourcing.

- ***Driving the accountability of charities to the public***

75% of charities submit their accounts and annual returns within the statutory ten month deadline, which means one quarter of charities fail to achieve this most basic of accountability standards. We do not have the power to penalise charities directly for this non-compliance but we will make it a priority to improve this performance. We are addressing the issue of charities who persistently default and have agreed new measures to remove these charities from the register.

As part of our commitment to reducing the burden of regulation on charities, whilst ensuring accountability to the public, we will continue our rolling review of the information we ask charities to provide in their Annual Returns. This may include reducing the numbers of charities expected to provide an Annual Return in response to consultations under the Charities Act 2006.

The Register of Charities is the most frequently visited section of the Commission's website, and is an essential tool for donors, users and consumers seeking the best information about charities and the sector. We will make this information more accessible and easier to understand. We will also make the Summary Information Return a more effective tool for sharing information with the public about the aims and achievements of the largest charities.

- ***Delivering faster, more efficient services through online routes***

We will further develop our website, to make it easier for visitors to find the information they are looking for and to give a better overview of the Commission's services. We will focus on making our guidance and information easily accessible online. Take-up of the services we offer online, such as filing accounts and updates, and in some cases registration, has already been very positive. We will improve and increase the range of services we offer online so this becomes the first choice for all our customers.

Customers have responded positively to the development of Charity Commission Direct, our one-stop contact centre. We won the Operational Delivery category in the Whitehall and Westminster World Civil Service Awards 2007. We will also encourage staff and customers to use emails and the telephone wherever appropriate. This will release resources for our more complex and detailed work, and means that we can give faster and better advice.

- ***Completing implementation of the Charities Act 2006***

The Charities Act 2006 modernised the legal framework allowing charities to operate with greater freedom and flexibility to respond to changes in society. We are committed to implementing in full the provisions of the Act and will work with stakeholders to achieve this. Areas where the Commission has a key role to play include:

- consulting on regulations, model governing documents and other issues to enable the Charitable Incorporated Organisation (CIO) governance model to come into effect;
- reviewing model governing documents;
- developing the right accounting regime for charities which are currently exempt;
- understanding and clarifying charitable status issues around Industrial and Provident Societies;
- developing and implementing the first phase of the public collections legislation;
- continuing to develop the framework for charities to meet the public benefit requirement.

Reporting of Protected Personal Data Related Incidents

In the Cabinet Office's Interim Progress Report on Data Handling Procedures, published on 17 December 2007, Official Report, column 98WS, Government made a commitment that Departments will cover information risk management in their annual reporting. The following tables set out:

- a summary of protected personal data related incidents formally reported to the Information Commissioner's Office over the financial year;
- centrally recorded protected personal data related incidents not formally reported to the Information Commissioner's Office in the financial year; and
- protected personal data related incidents in previous financial years.

Summary of protected personal data related incidents formally reported to the Information Commissioner's Office in 2007-08				
Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
No incidents to report				
Further action on information risk	None, aside from that covered in actions to manage information risk which is covered in the section below.			

Summary of other protected personal data related incidents in 2007-08		
Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office but recorded centrally within the Department are set out below. Small localised incidents are not recorded centrally and are not cited in these figures.		
Category	**Nature of incident**	**Total**
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	No incidents to report
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	No incidents to report
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	No incidents to report
IV	Unauthorised disclosure	No incidents to report
V	Other	No incidents to report

Year-on-year total numbers of protected personal data related incidents prior to 2007-08													
Total number of protected personal data related incidents formally reported to the Information Commissioner's Office, by category number							**Total number of other protected personal data related incidents, by category number**						
	I	**II**	**III**	**IV**	**V**	**Total**		**I**	**I**	**III**	**IV**	**V**	**Total**
2006-07	-	-	-	-	-	-	**2006-07**	-	-	-	-	-	-
2005-06	-	-	-	-	-	-	**2005-06**	-	-	-	-	-	-
2004-05	-	-	-	-	-	-	**2004-05**	-	-	-	-	-	-

<u>Actions to manage information risk</u>

In November 2007 the Commission undertook a review of its controls over personal data security, the results of which were reported to the Audit Committee and the Board. The controls were found to be generally robust. Some minor areas of residual risk were identified and mitigated. The review also confirmed that there had been no significant information risk incidents during the year. In March 2008 a comprehensive data security action plan was drawn up in response to the Cabinet Office mandatory process measures and specific minimum measures for protection of personal information. This plan was endorsed by the Audit Committee, which will monitor progress against it in the coming year.

Financing

Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	£000 2007-08	£000 2006-07
Net Resource Outturn (Estimates)	34,343	31,143
Adjustments to remove:		
- Provision voted for earlier years	-	-
Adjustments to additionally include:		
- Non-voted expenditure in the Operating Cost Statement (OCS)	-	-
- Consolidated Fund Extra Receipts in the OCS	-	-
Other Adjustments	-	-
Net Operating Cost (Accounts)	32,573	30,698
Adjustments to remove:		
- Capital Grants to Local Authorities	-	-
- Capital Grants financed from Capital Modernisation Fund	-	-
- European Union income and related adjustments	-	-
- Voted expenditure outside the budget	-	-
Adjustments to additionally include:		
- Other Consolidated Fund Extra Receipts	2	248
- Resource consumption of non departmental public bodies	-	-
- Unallocated resource provision	-	-

Other Adjustments		
Resource Budget Outturn	32,575	30,946
Of which		
Departmental Expenditure Limits (DEL)	32,573	30,699
Annually Managed Expenditure (AME)	-	-

The surplus of £1.770m between the Net Resource Outturn (Estimates) of £34.343m and the Net Operating Cost (Accounts) of £32.573m is the result of timing delays in fully committing the additional monies received in 2007-08 as a result of the Comprehensive Spending Review 2007 (CSR 07). £1m of the additional £1.5m awarded in 2007-08 was intended to be spent on increasing specialist staff and improving capability within the Compliance Division. While this work is progressing, delays in implementing the revised structure meant that by the end of 2007-08 the majority of this money remained uncommitted.

In addition, as a result of CSR 07, the Commission undertook a reprioritisation review which delayed recruitment of non essential vacancies with consequent savings in pay and pay related costs such as travel and subsistence. While some of the cost savings from an increased level of vacancy has been offset by increases in the provisions for dilapidations for the London office there is still a substantial surplus at the year end.

The Commission also recorded a surplus of £1.086m in the Net Cash Requirement arising from the expenditure patterns explained above with the exception of the non cash items.

Departmental Remuneration Report

Senior Civil Service (SCS) Pay Committee

The Commission's SCS Pay Committee comprises:

Committee Chairman	John Williams (from 13 July 2007) David Unwin (until 13 July 2007)
Committee Member	Dame Suzi Leather
Committee Member	John Williams (until 13 July 2007)
Committee Member	John Wood (from 1 February 2008)
Committee Member	Andrew Hind

The responsibilities of the committee include:

- annually reviewing and approving the SCS Pay Strategy;
- considering the pay recommendations made by line managers for each member of the SCS based on their performance review report and the guidance produced by the Cabinet Office;
- deciding which pay tranche they should be placed in and the amount of bonus they should receive, taking into account the relative performance of the SCS members and affordability considerations;
- reporting the outcome of their decisions to Human Resources (HR) for implementation, and the Cabinet Office for central monitoring purposes.

Service Contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the most senior officials of the department.

Remuneration (audited)

	2007-08 Salary £000's	**2006-07 Salary £000's**
Dame S Leather DBE * Chair	80-85**	30-35 (50-55 full year equivalent)
L Driscoll * Member (until 31 January 2008)	20-25 (25-30 full year equivalent)	25-30
D Unwin * Member (until 13 July 2007)	5-10 (25-30 full year equivalent)	25-30
J Williams * Member	25-30	25-30
T Woodcraft * Member	10-15	10-15
Simon Jones*** (from 16 July 2007)	5-10	-
Sharmila Nebhrajani*** (from 1 July 2007)	5-10	-
Dr Andrew Purkis OBE*** (from 1 July 2007)	5-10	-
Theo Sowa*** (from 1 July 2007)	5-10	-
Simon Wethered*** (from 1 July 2007)	5-10	-
John Wood*** (from 1 February 2008)	0-5	-
A Hind**** Chief Executive	130-135	125-130
R Chapman Director	85-90	80-85
K Dibble Director	110-115	100-105
N Allaway Director	85-90	85-90
D Locke Director (from 1 September 2007)	50-55 (80-85 full year equivalent)	-

* Indicates part time non-executive appointed on a 3 year fixed term contract, with the option of a 1 to 2 year extension. J Williams and T Woodcraft transferred to the new contracts for members on 4 January 2008 and 1 May 2008 respectively and once transferred receive the same remuneration as those members appointed since 1 July 2007.
** Dame S Leather's contract of employment was varied in 2007-08 from two days a week to three.
*** Members appointed since July 2007 receive a daily fee of £350. No pension contributions are paid.
**** Appointed on a 4 year fixed term contract from 4 October 2004, extended to 4 October 2010.

"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.

Dame Suzi Leather in accordance with her contract of employment received benefits in kind amounting to £19,637 in respect of reimbursement of travel and subsistence costs arising from her home base being out of London. The Charity Commission meets the resulting tax liability under a PAYE settlement agreement.

Dame Suzie Leather (£14,402) and Kenneth Dibble (£14,610) both received back pay in 2007-08 that related to 2006-07. The figures stated above are net of these amounts.

David Taylor, as the external non executive member on the Audit Committee, received £2,659 in remuneration for 2007-08.

Pension Benefits (audited)

	Accrued pension at age 60 at 31 March 2008 and related lump sum	**Real increase in pension and related lump sum at age 60**	**CETV at 31 March 2008**	**CETV at 31 March 2007**	**Real increase in CETV**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**
Dame S Leather DBE	10-15 plus 30-35 lump sum	0-5 plus 5-10 lump sum	205	144	35
L Driscoll Member (until 31 January 2008)	0-5	0-5	46	36	6
D Unwin Member (until 13 July 2007)	0-5 plus 5-10 lump sum	0-5 plus 0-5 lump sum	51	49	2
J Williams Member	0-5	0-5	20	13	6
T Woodcraft Member	10-15	0-5	257	217	1
A Hind Chief Executive	5-10	0-5	112	70	28
R Chapman Director	5-10 plus 0-5 lump sum	0-5 plus 0-5 lump sum	137	100	18
K Dibble Director	45-50 plus 145-150 lump sum	0-5 plus 0-5 lump sum	1,270	1,067	36
N Allaway Director	25-30 plus 80-85 lump sum	0-5 plus 0-5 lump sum	500	419	12
D Locke Director (from 1 September 2007)	5-10	0-5	83	51	19

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (**classic**, **premium** or **classic plus**); or a 'whole career' scheme (**nuvos**). 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** and **nuvos** are increased annually in line with changes in the Retail Prices Index (RPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (**partnership** pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium**, **classic plus** and **nuvos**. 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' 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 in respect of service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 calculated 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 RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three 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 0.8% 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** and 65 for members of **nuvos**. Further details about the CSP arrangements can be found at the website www.civilservice-pensions.gov.uk

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) 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 individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries 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 drawn.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of 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.

Andrew Hind 23 June 2008

Chief Executive and Accounting Officer

Statement of Accounting Officer's Responsibilities

Under Section 5 of the Government Resources and Accounts Act 2000, the Charity Commission is required to prepare resource accounts for each financial year, in conformity with a HM Treasury direction, detailing the resources acquired, held, or disposed of during the year and the use of resources by the Department during the year.

The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department, the net resource outturn, resources applied to the objectives, recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe 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 accounts;
- prepare the accounts on an ongoing basis.

HM Treasury has appointed the Permanent Head of the Department as Accounting Officer of the Department.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and safeguarding the Department's assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in Government Accounting.

Statement on internal control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Charity Commission's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money.*

The Charity Commission is the independent regulator for charitable activity. Its primary aim is to provide the best possible regulation of charities in England and Wales to increase charities' effectiveness and promote public trust and confidence in their activities.

As Accounting Officer I am accountable to Parliament and report to them annually. In managing risk I involve the Board and work with the Commission's Directors Group.

The Board is chaired by Dame Suzi Leather DBE. Board Members meet on a regular basis to consider the plans and strategic direction of the organisation. The Directors Group, which meets on a monthly basis, comprises the Chief Executive and the four Directors. The duties of the Directors Group include implementing the strategic framework of programmes and policies established by the Board and ensuring effective service delivery.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Commission's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in the Charity Commission for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

A framework is given to the Commission's risk management process through a risk policy which defines the role and responsibilities of the Board, Audit Committee, Directors Group, and Directors. This is cascaded to appropriate managers with clear responsibility for improving controls and minimising the impact of risks that may be realised.

The risk and control framework

The Board and Directors Group identify and evaluate the top priority risks that are expected to have the greatest impact on the Commission's business if realised. These top priority risks are embedded in and supported by more detailed risk registers covering the main business functions. These subsidiary registers have been recast to reflect the structural changes that have taken place within the Commission following the Strategic Review. They have designated owners who are responsible for maintaining the registers and for overseeing the effective management of identified risks including monitoring progress on the development of additional controls where the need for this has been identified.

A monitoring and reporting system has been established that ensures that timely reports are made to the Directors Group, Audit Committee and Board on the extent to which risks are being controlled effectively. An overview is provided by the Commission's Strategic Assurance Plan, which maps the top priority risks to the Commission's objectives, charts progress against agreed mitigating actions and specifies items of assurance work. Management of risk is embedded in policy-making, planning and service delivery. This includes formal assessment of risks for all issues considered by the Board and the Directors Group.

This framework enables us to take a risk-focussed approach to targeting resources on the regulation and enablement of charities. It encourages our staff to actively identify, evaluate and manage risks in the conduct of day to day business.

Review of effectiveness

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors and the executive managers within the Commission who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

During 2007-08 the Board has maintained strategic oversight and review of internal control and developing risk management arrangements. The Audit Committee has given detailed consideration to: progress against the Strategic Assurance Plan; individual internal audit reports and management responses; progress on implementation of previous audit recommendations; the Internal Auditor’s annual report and opinion on the adequacy of our internal control system; NAO audit reports and recommendations; and development of the Commission’s approach to risk management.

At the end of the financial year letters of assurance were provided by owners of risk registers in which they confirmed the adequacy of the risk management and control arrangements for which they had responsibility. Following guidance issued by the Cabinet Office I have also conducted a review of handling of personal data and am content that appropriate controls over this data are in place or the necessary actions are in hand.

Conclusion

During 2007-08 action has been taken where appropriate to address internal control issues and recommendations made by the Commission’s internal and external auditors, Audit Committee and Board.

The internal auditors have concluded that, in their opinion, for the 12 months ended 31 March 2008, the Charity Commission had adequate and effective risk management, control and governance processes to manage the achievement of the organisation’s objectives.

Andrew Hind 23 June 2008

Chief Executive and Accounting Officer

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the Charity Commission for the year ended 31 March 2008 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the Statement of Operating Costs by Departmental Aim and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, the information which comprises the sub-section described as Annual Report and the sections within the Management Commentary described as: Aim; Objectives and Principal Activities; Charities Act 2006; 2007 Comprehensive Spending Review; Review of Operational Performance; Achieving Strategic Objectives; and Reporting of Protected Personal Data Related Incidents, included in the Annual Report is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Department's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Department's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Department's affairs as at 31 March 2008 and the net cash requirement, net resource outturn, net operating cost, operating costs applied to objectives, recognised gains and losses and cash flows for the year then ended;

- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and

- information which comprises the sub-section described as Annual Report and the sections within the Management Commentary described as: Aim; Objectives and Principal Activities, Charities Act 2006; 2007 Comprehensive Spending Review; Review of Operational Performance; Achieving Strategic Objectives; and Reporting of Protected Personal Data Related Incidents included within the Annual Report, is consistent with the financial statements.

Opinion on Regularity

In my opinion, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.

T J Burr

Comptroller and Auditor General

National Audit Office

151 Buckingham Palace Road

Victoria

London

SWIW 9SS

27 June 2008

Statement of Parliamentary Supply

for the year ended 31 March 2008

Summary of Resource Outturn 2007-08

	2007-08							2006-07
	Estimate			Outturn				Outturn
Request for Resources 1	Gross Expenditure	A in A	NET TOTAL	Gross Expenditure	NET A in A	TOTAL	Net Total outturn compared with Estimate: saving/ (excess)	NET TOTAL
	£000	£000	£000	£000	£000	£000	£000	£000
(Note 2)	35,563	1,220	34,343	33,724	(1,149)	32,575	1,768	30,946
Total resources	**35,563**	**1,220**	**34,343**	**33,724**	**(1,149)**	**32,575**	**1,768**	**30,946**
Non-operating cost A in A	-	-	-	-	-	-	-	-

Net cash requirement 2007-08

		2007-08			2006-07
	Note	Estimate	Outturn	Net total outturn compared with Estimate saving/(excess)	Outturn
		£000	£000	£000	£000
Net cash requirement	4	31,832	30,746	1,086	30,217

Summary of the income payable to the Consolidated Fund

In addition to appropriations in aid, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics)

		Forecast 2007-08		Outturn 2007-08	
		Income	Receipts	Income	Receipts
	Note	£000	£000	£000	£000
Total	5	-	-	2	2

Explanations of variances between Estimate and Outturn are given in Note 2 and 4, and in the Operating and Financial Review.

Operating Cost Statement

for the year ended 31 March 2008

	Note	2007-08 £000	2007-08 £000	2006-07 £000	2006-07 £000
Administration Costs:					
Staff Costs	7	19,487		17,608	
Other Administration Costs	8	14,237		13,808	
Operating Income	6		(1,151)		(718)
Net Operating Cost	3		**32,573**		30,698
Net Resource Outturn			**32,575**		30,946

Statement of Recognised Gains and Losses

for the year ended 31 March 2008

	2007-08	2006-07
	£000	£000
Receipts of donated assets	-	-
Total recognisable gains and losses for the financial year	-	-

Balance Sheet

as at 31 March 2008

	Note		31 March 2008		31 March 2007
		£000	£000	£000	£000
Fixed assets:					
Tangible assets	9		**5,229**		**5,341**
Debtors falling due after more than one year	10		**13**		**29**
Current assets:					
Debtors	10	1,655		1,490	
Cash at bank and in hand	11	1,086		1,472	
		2,741		2,962	
Creditors (amounts falling due within one year)	12	(4,258)		(3,486)	
		(4,258)		(3,486)	
Net current assets			**(1,517)**		**(524)**
Total assets less current liabilities			**3,725**		**4,846**
Provisions for liabilities and charges	13		**(1,111)**		**(830)**
			2,614		**4,016**
Taxpayers' equity:					
General fund	14		2,614		4,016
Donated asset reserve			0		0
			2,614		**4,016**

Andrew Hind 23 June 2008

Chief Executive and Accounting Officer

Cash Flow Statement

for the year ended 31 March 2008

	Note	2007-08 £000	2006-07 £000
Net cash outflow from operating activities	15a	(29,778)	**(29,040)**
Capital expenditure and financial investment	15b	(968)	**(929)**
Payments of amounts due to the Consolidated Fund	15d	(248)	**(9)**
Financing	15c	30,608	**30,495**
(decrease) / increase in cash in the period		(386)	**517**

Resource by Departmental Aim and Objectives

for the year ended 31 March 2008

	2007-08			2006-07		
	Gross	**Income**	**Net**	**Gross**	**Income**	**Net**
	£000	£000	£000	£000	£000	£000
Aim: to give the public confidence in the intergity of charity						
Objective 1	18,548	(634)	17,914	17,308	(396)	16,912
Objective 2	6,407	(217)	6,190	6,077	(139)	5,938
Objective 3	3,710	(127)	3,583	3,307	(76)	3,231
Objective 4	2,698	(90)	2,608	2,634	(60)	2,574
Objective 5	2,023	(68)	1,955	1,950	(44)	1,906
Objective 6	338	(15)	323	140	(3)	137
Net operating costs	**33,724**	**(1,151)**	**32,573**	**31,416**	**(718)**	**30,698**

The department's objectives were as follows:

Objective 1 – Continually improving services, assisting charities to deliver

Objective 2 – Proportionate regulation

Objective 3 – Guiding charities in complying with their legal obligations

Objective 4 – Sharing knowledge and working together across the sector

Objective 5 – Enhancing trustees' knowledge and understanding

Objective 6 – Increasing public understanding and support for charities

Notes to the Departmental Resource Accounts

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2007–08 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. In addition to the primary statements prepared under UK GAAP, the FReM also requires the Commission to prepare two additional primary statements. The Statement of Parliamentary Supply and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. The Statement of Operating Cost by Departmental Aim and Objectives and supporting notes analyse the Commission's income and expenditure by the objectives agreed by the Board. Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Department for the purpose of giving a true and fair view has been selected. The Commission's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets, at their value to the business by reference to their current costs.

1.2 Tangible fixed assets

Tangible fixed assets are stated at the lower of the replacement cost and the recoverable amount. Expenditure on tangible fixed assets of over £1,000 is capitalised. On initial recognition they are measured at cost including any costs such as installation directly attributable to bringing them into working condition. IT equipment and Office equipment are restated to current value each year, using indices published by the Office for National Statistics (ONS) appropriate to the category of asset to estimate value.

1.3 Depreciation

Tangible fixed assets are depreciated at rates calculated to write them down to estimated residual value on a straight line basis over their estimated useful lives. Assets in the course of construction are depreciated from the point at which the asset is brought into use.

Asset life is normally in the following ranges:

IT Equipment	3-7 years
Office Equipment	5-7 years
IT Databases	7 years

1.4 Donated assets

Donated tangible assets are capitalised at their current value on receipt, and this value is credited to the donated asset reserve. Subsequent revaluations are also taken to this reserve. Each year, an amount equal to the depreciation charge on the asset is released from the Donated Asset Reserve to the Operating Cost Statement.

1.5 Relifed assets

Assets which have reached the end of their useful economic life, but are still in service, have been "relifed" ie credited with a nominal value, to acknowledge their continued existence. The relifed assets are not subject to depreciation or revaluation.

1.6 Stocks

The Commission has no stocks of significant value.

1.7 Operating Income

Operating income is income which relates directly to the operating activities of the Commission. It includes not only income appropriated in aid of the Estimate but also income to the Consolidated Fund, which in accordance with *FReM* is treated as operating income. Operating income is stated net of VAT.

1.8 Administration expenditure

Administration costs reflect the costs of running the Commission. These include both administrative costs and associated operating income. Income is analysed in the notes between that which, under the cost-control regime, is allowed to be offset against gross administrative costs in determining the outturn against the administration cost limit, and that operating income which is not. The classification of expenditure and income as administration, follows the definition of administration costs set by HM Treasury.

1.9 Capital Charge

A charge, reflecting the cost of capital utilised by the Commission, is included in operating costs. The charge is calculated at the real rate set by HM Treasury (currently 3.5 percent) on the average carrying amount of all assets less liabilities, except for donated assets and cash balances with the Office of the Paymaster General, where the charge is nil.

1.10 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Schemes which are described in note 7. The defined benefit schemes are unfunded and non-contributory except in respect of dependents benefits. 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 Principal Civil Service Pension Schemes (PCSPS) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the Commission recognises the contributions payable for the year.

1.11 Leases

At present, all leases held by the Charity Commission are operating leases and the rentals are charged direct to the Operating Cost Statement over the term of the lease.

1.12 Provisions

The Commission provides for legal or constructive obligations which are of uncertain timing or amount at the balance sheet date, 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 2.8 percent).

1.13 Value Added Tax

Most of the activities of the Commission are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output VAT is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.14 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, the Commission discloses for parliamentary reporting and accountability purposes certain contingent liabilities where the likelihood of a transfer of economic benefit is remote. These comprise all items which are required by the FReM to be noted in the resource accounts. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

2 Analysis of net outturn by section

	Admin	Other Current	Gross Resource Expenditure	A in A	Outturn Net Total	Estimate Net Total	2007-08 Net Total outturn compared with Estimate	2006-07 Prior Year Outturn
	£000	£000	£000	£000	£000	£000	£000	£000
Request for resources 1:								
Giving the public confidence in the integrity of charity								
Section A								
Administration	33,724	-	33,724	(1,149)	32,575	34,343	1,768	30,946
Resource Outturn	**33,724**	**-**	**33,724**	**(1,149)**	**32,575**	**34,343**	**1,768**	**30,946**

Explanation of the difference between Estimate and Outturn (a more detailed explanation is given in the Operating and Financial Review):

The surplus of £1,768k is the result of timing delays in fully committing the additional monies received in 2007-08 as a result of the Comprehensive Spending Review 2007 (CSR 07). £1m of the additional £1.5m awarded in 2007-08 was intended to be spent on increasing specialised staff and improving capability within the Compliance Division. While this work is progressing, delays in implementing the revised structure meant that by the end of 2007-08 the majority of this money remained uncommitted.

In addition, as a result of CSR 07, the Commission undertook a reprioritisation review which delayed recruitment of non essential vacancies with consequent savings in pay and pay related costs such as travel and subsistence. While some of the cost savings from an increased level of vacancy has been offset by increases in the provisions for dilapidations for the London office there is still a substantial surplus at the year end.

3. Reconciliation of outturn to net operating cost against Administration Budget

3(a) Reconciliation of net outturn to net operating cost

	Note	2007-08 Outturn	Supply Estimate	Outturn Compared with Estimate	2006-07 Outturn
		£000	£000	£000	£000
Net Resource Outturn	2	32,575	34,343	1,768	30,946
Non-Supply Income (CFERS)	5	(2)	-	2	(248)
Net Operating Costs		**32,573**	**34,343**	**1,770**	**30,698**

3(b) Outturn against final Administration Budget

	Budget	2007-08 Outturn	2006-07 Outturn
	£000	£000	£000
Gross Administration Budget	35,563	33,724	31,416
Income allowable against the Administration Budget	(1,220)	(1,149)	(470)
Net Outturn against final Administration Budget	**34,343**	**32,575**	**30,946**

4. Reconciliation of resources to cash requirement

	Note	Estimate £000	Outturn £000	Net Total outturn compared with Estimate: saving/ (excess) £000
Net total resources	2	**34,343**	**32,575**	1,768
Capital:				
- Acquisition of fixed assets	9	1,100	968	132
- Investments		-	-	
Non-operating cost in A in A				
- Proceeds of fixed asset disposals	8	-	-	
Accrual adjustments:				
- Non-cash items	8	(3,611)	(2,032)	(1,579)
-Changes in working capital other than cash	15a	-	(1,256)	1,256
- Changes in creditors falling due after one year				
- Use of provision	13	-	491	(491)
Net cash Requirement		31,832	30,746	1,086

Explanation of variation between Estimated net cash requirement and Outturn:

The surplus of £1,086k is a result of the resource expenditure patterns set out in note 2 above net of non cash movements in provisions.

5. Analysis of income payable to the Consolidated Fund

In addition to appropriations-in-aid, the following income relates to the Charity Commission and is payable to the Consolidated Fund (cash receipts being shown in italics):

	2007-08 Income £000	Forecast Receipts £000	2007-08 Income £000	Outturn Receipts £000
Operating income and receipts - excess AinA	-	-	-	-
Other operating income and receipts not classified as AinA	-	-	2	2
Sub total	-	-	2	2
Other non-operating income and receipts not classified as AinA	-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund	-	-	-	-
Excess surrenderable to the Consolidated Fund	-	-	-	-
Total income payable to the Consolidated Fund	**-**	**-**	**2**	**2**

6. Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund

	Note	2007-08 £000	2006-07 £000
Operating income		1,151	718
Income authorised to be appropriated-in-aid		(1,149)	(470)
Operating income payable to the Consolidated Fund	5	**2**	**248**

7. Staff numbers and related costs

Staff Costs

Staff costs comprise	**2007-08**	**2006-07**
	£000	£000
Wages and salaries	13,453	13,595
Social security costs	998	1,025
Other pension costs	2,569	2,533
Agency staff	254	501
Voluntary severance scheme	2,302	-
Total	**19,576**	**17,654**
Charged to Capital	(89)	(46)
Total Net Costs	**19,487**	**17,608**

7.1 The Commission incurred expenditure of £2.302m in 2007-08 as part of a planned voluntary severance programme that resulted from the reprioritisation review carried out by the Commission following the CSR 07 settlement. The purpose of the programme is to ensure the Commission is best placed to meet the challenge of meeting its objectives during the new CSR period through to March 2011 within the limits imposed by the funding settlement. Under the terms of the scheme voluntary severance on compulsory terms was offered subject to applicants meeting cost and suitability requirements. Of this total £2.023m is included as an accrual in Creditors (note 12) the remainder has been paid in year.

The Charity Commission is a non-Ministerial Government Department, therefore all pay costs relate to staff.

The Principal Civil Service Pensions Schemes (PCSPS) of which most of the Commission's employees are members are unfunded multi-employer defined benefit schemes and the Charity Commission is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007 and details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk)

For 2007-08, employer's contributions of £2.531m were payable to the PCSPS (2006-07 £2.506m) at rates in the range 17.1 to 25.5 percent (2006-07 17.1 to 25.5 percent) of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions every four years following a full scheme valuation. The salary bands and contribution rates were revised for 2005-06 and will remain unchanged until 2008-09. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred; and they reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership account, which is a stakeholder pension with an employer contribution. Employer's contributions of £37,915 (2006-07 £24,551) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent (2006-07 3 to 12.5 percent) of pensionable pay. Employers also match employee contributions up to 3 percent of pensionable pay. In addition, employer contributions of £1,356, 0.8 percent (2006-07 £1,780, 0.8 percent) of pensionable pay, were payable to the PCSPS to cover the cost of future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £2,342.

Contributions prepaid at that date were Nil.

Two staff (2006-07: Nil persons) retired early on ill health grounds; the total additional accrued pension liabilities amounted to £70,602 (2006-07: Nil)

Average number of persons employed

Average number of whole-time equivalent persons, including senior management, employed during the year, was as follows:

	2007-08	2006-07
	Number	Number
Objective 1	320	331
Objective 2	78	82
Objective 3	29	30
Objective 4	34	35
Objective 5	20	20
Objective 6	2	1
Staff engaged on capital projects	2	1
Total	**485**	**500**
Agency Staff	8	14
Total	**493**	**514**

8. Other Administration Costs

		2007-08		2006-07	
	Note	£000	£000	£000	£000
Rentals under operating leases:					
Hire of plant and machinery		690		930	
Other operating leases		2,887	3,577	2,804	3,734
Non cash items:					
Depreciation of fixed assets	9	1,055		881	
Impairment of assets	9	25		6	
Write off of asset under construction		0		98	
Loss on disposal of fixed asset	9	3		9	
Cost of capital charge		117		165	
Auditor's remuneration and expenses		60		60	
Provisions provided in year	13	772	2,032	712	1,931
Other expenditure[a]			8,628		8,143
			14,237		**13,808**

a: - Other expenditure by category of spend was as follows	2007-08	2006-07
	£000	£000
Personnel related	1,525	1,276
Accomodation	1,580	1,809
Office Services	2,410	2,529
Consultancy/Agency	486	410
Specialist Services	2,134	1,420
Losses and Special Payments	12	39
International Outreach Project*	481	660
Total other expenditure	**8,628**	**8,143**

Notes:

* Funding for this programme is provided by the Foreign and Commonwealth Office and is shown as Appropriations in Aid in Schedule 1.

9. Tangible Fixed Assets (see also notes 1.2-1.5)

	IT Equipment	IT Databases	Office Equipment	Assets under Construction	Total
	£000	£000	£000	£000	£000
Cost or Valuation					
At 1 April 2007	546	6,198	178	762	7,684
Additions	31	-	133	804	968
Relifed assets	3	-	-	-	3
Disposals/transfers	(53)	529	(14)	(529)	(67)
Revaluation	(23)	-	(12)	-	(35)
At 31 March 2008	504	6,727	285	1,037	8,553
Depreciation					
At 1 April 2007	348	1,848	147	-	2,343
Charged in year	62	961	32	-	1,055
Disposals	(50)	-	(14)	-	(64)
Revaluations	(9)	-	(1)	-	(10)
At 31 March 2008	351	2,809	164	-	3,324
Net book value at 31 March 2008	153	3,918	121	1,037	5,229
Net book value at 31 March 2007	**198**	**4,350**	**31**	**762**	**5,341**

Valuation of Assets

Fixed assets are valued using indices supplied by the Office of National Statistics with the exception of IT Databases. Assets under Construction represents expenditure on IT projects planned for completion in 2008-09.

10. Debtors

10(a) Analysis by type

	2007-08	2006-07
	£000	£000
Amounts falling due within one year:		
VAT	195	220
Deposits and advances	15	13
Other debtors	305	166
Prepayments and accrued income	1,140	1,091
	1,655	**1,490**
Amounts falling due after one year:		
Prepayments	13	29
	1,668	**1,519**

10(b) Intra Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2007-08	2006-07	2007-08	2006-07
	£000	£000	£000	£000
Balances with other central Government Departments	344	326	-	-
Balances with bodies external to Government	1,324	1,193	-	-
Total Debtors at 31 March	**1,668**	**1,519**	-	-

11. Cash at Bank and in Hand

	2007-08	2006-07
	£000	£000
Balance at 1 April	1,472	955
Net cash Inflow/(Outflow)	(386)	517
Balance at 31 March	**1,086**	**1,472**
The following balances at 31 March are held at		
Office of HM Paymaster General	1,085	1,471
Cash in Hand	1	1
	1,086	**1,472**
The balance at 31 March comprises:		
Amounts issued from the Consolidated fund for supply but not spent at year end	1,084	1,472
Consolidated Fund extra receipts received and receivable due to be paid to the Consolidated Fund	2	0
	1,086	**1,472**

12. Creditors: amounts falling due within one year

12(a) Analysis by type

	2007-08	2006-07
	£000	£000
Taxation and security security	364	347
Trade creditors	428	569
Other creditors	33	21
Accruals and deferred income	2,347	829
Amounts issued from the Consolidated fund for supply but not spent at year end	1,084	1,472
Consolidated fund extra receipts recevied and receivable due to be paid to the Consolidated fund	2	248
	4,258	**3,486**

12(b) Intra Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2007-08	2006-07	2007-08	2006-07
	£000	£000	£000	£000
Balances with other central Government Departments	1,493	2,067	-	-
Balances with bodies external to Government	2,765	1,419	-	-
Total Creditors at 31 March	**4,258**	**3,486**	**-**	**-**

13. Provision for liabilities and charges (see also notes 1.2)

	Early departure costs	London dilapidation	2007-08	2006-07
	£000	£000	£000	£000
Balance at 1 April 2007	580	250	830	816
Increase/(decrease) in provision	155	617	772	712
Amounts utilised in year	(491)	-	(491)	(698)
Balance at 31 March 2008	244	867	1,111	**830**

13.1 Early departure costs

The Commission meets the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The Commission provides in full for this when the early retirement programme becomes binding on them, by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.8 percent in real terms. In past years the Commission paid in advance some of its liability for early retirement by making a payment to the Paymaster General's account at the Bank of England for the credit of the Civil Superannuation Vote. The balance remaining is treated as a prepayment.

13.2 Dilapidation Provisions

The Commission's lease on its London property expires in June 2009. The existing provision has been increased by £0.617m to reflect the results of a survey carried out by the Commission's property consultants

14. General Fund

	2007-08	2006-07
	£000	£000
Net operating cost for the year	**(32,573)**	**(30,698)**
Income not appropriated in aid payable to the Consolidated Fund	(2)	(248)
	(32,575)	**(30,946)**
Net parliamentary funding	30,608	30,495
Consolidated Fund creditor for cash unspent	(1,086)	(1,472)
Settlement of previous year Consolidated Fund creditor for cash unspent	1,224	946
Settlement of previous year operating income to Consolidated Fund	248	0
Non- cash charges:		
Cost of capital	119	165
Auditor remuneration	60	60
Net increase/(decrease) in general fund	(1,402)	(752)
General fund at 1 April	4,016	4,768
General fund at 31 March	**2,614**	**4,016**

15. Notes to the Consolidated Cash Flow Statement
15(a) Reconciliation of the operating cost to operating cash flows

	2007-08	2006-07
	£000	£000
Net operating cost	**32,573**	**30,698**
Adjustments for non-cash transactions (see Note 4)	(2,032)	(1,931)
Increase/(Decrease) in Debtors	149	17
(Increase)/Decrease in Creditors	(1,403)	(442)
Use of provision (see Note 13)	491	698
Net cash outflow from operating activities	29,778	**29,040**

15(b) Analysis of capital expenditure and financial investment

	2007-08	2006-07
	£000	£000
Tangible fixed asset additions (see note 9)	968	929
Net cash outflow from investing activities	**968**	**929**

15(c) Analysis of financing

	2007-08	2006-07
	£000	£000
From Consolidated Fund (Supply) - current year[1]	31,832	31,441
From Consolidated Fund (Supply) - prior year[2]	(1,224)	(946)
Net financing	30,608	**30,495**

[1] Amount of grant actually issued to support the net cash requirement £31,832,000
[2] Amount of grant actually issued to support the prior year net cash requirement £1,223,824

15(d) Reconciliation of Net Cash Requirement to increase/(decrease) in cash

	2007-08	2006-07
	£000	£000
Net Cash Required	(30,748)	(30,217)
From Consolidation Fund (Supply) - current year	31,832	31,441
From Consolidation Fund (Supply) - prior year	(1,224)	(946)
Amounts due to the Consolidation Fund - received in a prior year and paid over	(248)	(9)
Amounts due to the Consolidation Fund - received and not paid over	2	248
Increase/(decrease) in cash	**(386)**	**517**

16. Notes to the Statement of Operating Costs by Departmental Aim and Objectives

Capital Employed by Departmental Aim and Objective at 31 March 2008

The Commission's capital is used exclusively for administration purposes. Its distribution amongst objectives is therefore not markedly different from the proportion of the related gross administration cost. Wherever possible, administration costs have been attributed to objectives in accordance with the Commission's normal management accounting practices. Income has been attributed to objectives on the same proportionate basis as expenditure.

17. Capital commitments

At 31 March 2008 the Commission had a contractual agreement with Parity amounting to £0.6m for the development and building of a replacement of the Commission’s main IT database by 2009-10. This cost is considered to be a capital expenditure under the Commission's accounting policy.

18 Commitments under leases

18.1 Operating Leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires

	2007-08	2006-07
	£000	£000
Obligations under operating leases comprise:		
Buildings		
Expiry within one year	-	-
Expiry after one year, but not more that five years	1,575	1,575
Expiry thereafter	1,094	1,112
	2,669	**2,687**
Other		
Expiry within one year	151	85
Expiry after one year, but not more that five years	78	465
Expiry thereafter	-	-
	229	**550**

19. Financial Instruments

FRS 13, *Derivatives and Other Financial Instruments*, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the non-trading nature of its activities and the way in which government departments are financed, the Charity Commission is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The Commission has very limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks it faces in undertaking its activities.

Liquidity risk
The department's net revenue resource requirements are financed by resources voted annually by Parliament, just as its capital expenditure largely is. The Charity Commission is not therefore exposed to significant liquidity risks.

Interest rate risk
All of the Charity Commisson's financial assets and financial liabilities carry a nil rate of interest, and the Commission is not therefore exposed to any interest rate risk.

Foreign currency risk
The Charity Commission's exposure to foreign currency risk is negligible. Foreign currency income is negligible and foreign currency expenditure is not significant. The Commission therefore has no standing policy to eliminate currency exposures on high value transactions.

Fair Value
Set out below is a comparison by category of book values and fair values of the Charity Commission's financial assets and liabilities as at 31 March 2008

	Book Value £000	Fair Value £000	Basis of fair valuation
Primary financial instruments			
Financial assets			
Cash at bank (see Note a)	1,086	1,086	
Financial Liabilities			
Provision for Early Departure Costs	(244)	(244)	Note b
Provision for Dilapidation London	(867)	(867)	

Notes:

a Cash at bank and in hand is available on demand.

b Fair value is not significantly different from book value since, in the calculation of book value, the expected cash flows have been discounted by the real rate set by HM Treasury (currently 2.8 percent).

20. Contingent liabilities disclosed, or not required to be disclosed, under FRS 12

Under the terms of the Commission's lease agreement for its Taunton property, the Commission is liable for dilapidation costs in the event of termination of the lease. The Commission is in the initial stages of discussions with the landlord to hand back some of the currently occupied space. The final liability is uncertain as this is subject to ongoing discussions with the Landlord however initial estimate suggest it could be £0.146m. No provision has been made given the current uncertainty over negotiations and the outcome of any settlement.

As stated in note 13 provision has been made for dilapidation costs on the London property that will be incurred when the lease expires in June 2009. The provision is based on a report by the Commission's property consultants and therefore the final sum payable may differ as this will be subject to negotiation with the Commission's landlord.

21. Losses and special payments

21(a) Losses Statement

		2007-08		**2006-07**
	No.	£000	No.	£000
Total losses for the year	0	0	3	98

21(b) Special Payments

	2007-08 No.	2007-08 £000	2006-07 No.	2006-07 £000
Total special payments for the year	5	12	7	39

There were 5 special payments in 2007-08. 2 payments totaling £110 arose from complaints made to the Independent Complaints Reviewer, and 3 payments totaling £12,050 were made in respect of 2 cases involving Commission staff.

22 Related Party Transactions

The Commission has undertaken no related party transactions.

23 Events after the Balance Sheet Date

There have been no events after the balance sheet date requiring an adjustment to the financial statement. The Annual Report and Accounts were authorised for issue by the Accounting Officer on 27 June 2008.

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