CHARITY COMMISSION
FOR ENGLAND AND WALES

Charity Commission Annual Report

2019-2020

HC 507

Charity Commission Annual Report and Accounts 2019-20
(For the year ended 31 March 2020)

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

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Part 1 Foreword from the Chair

If evidence were needed that charitable instinct runs deep in our country, the past few months have provided it. Whilst the COVID-19 pandemic has had a devastating impact on charities financially, the restrictions on our everyday lives has exposed how widely people contribute to making charity happen in small and myriad ways. Moreover, even in the face of restrictions to their daily routines, citizens everywhere have been determined to play their part in response to the coronavirus emergency – by donating, raising funds, undertaking challenges and volunteering for charities and informal community support groups.

This outpouring of charitable endeavour has served to remind us that charity, at heart, is about the impulse to support other people, strengthen a community or promote a good cause. It does not necessarily require formal structures or organisations. But when people do choose to channel their efforts through a registered charity – they expect those same motives to be shared and visible in the way that charities pursue their cause.

The crisis of the last few months has reinforced that the charity sector generates a huge amount of economic and social value in the United Kingdom, and that it relies on public support which cannot be taken for granted. It has also reinforced the Charity Commission's new strategic direction, which we launched in the autumn of 2018: to ensure that the maximum benefit from charity is delivered to society and in a way that upholds its good name. This clear purpose is what we stand for and what drives all of our work. People care about charity – and we exist to represent their interest, making sure charities meet their legitimate expectations, are effectively governed and are clearly accountable in return for the support they receive.

When we launched our new strategy, we were clear that a first priority for the Commission was to get our house in better operational order – including providing a better service for the trustees who need our support and who act as our first line of defence. At the end of 2019-20, the first full year of our five-year strategic plan, the Board has welcomed the significant operational progress which has been made. We are also pleased to see some signs that the Commission's regulatory work and using our voice more effectively is making a difference. Albeit modest and not yet at the levels last seen in 2014, public trust in charities has seen a small uptick, alongside an increase in public understanding of the Commission's role.

As part of our wider plan and change agenda, the Commission has opened itself up to the widest range of people and opinions. We made a conscious decision to hold our Annual Public Meetings outside of London, in Bristol last year following Manchester the year before.

As we look to the future beyond the COVID-19 pandemic, it will be important that the sector remains a plural, vibrant mix of small charities alongside the familiar big names, where all involved are accountable for what they do, the way they do it and recognise the public support they rely on to make it happen. It's important not to forget that in the public's mind, charity is less about structures and more about standards.

The Board joins me in thanking the Charity Commission staff for the hard work and commitment they have shown in making a lot of progress in 2019-20 and their continued dedication as we progress further in the year ahead.

Tina Stowell

Tina Stowell
Rt Hon Baroness Stowell of Beeston MBE

Foreword from the Chief Executive

We embarked on this year with a clear sense of our purpose, and a firm plan for what we needed to achieve during the year to deliver on that purpose. We needed first to get the basics right by improving our operational efficiency and effectiveness, ensuring in particular that we became swifter in assessing incoming issues and focusing our resources on those that present the greatest risk of harm. Second, we needed to use our voice more authoritatively in representing the public interest in charity.

In getting the basics right, our priority was to deal with the historic backlog of unallocated work – or cases – at a time of continuously increasing demand. Thanks to the skill and commitment of staff across the Commission, and to improved systems and processes, we delivered on that priority, not only eliminating the total of historic volume of work awaiting allocation, but also improving the way in which we deal with new demand.

This year, we have sought to open up our services to more customers: we want people to come to us. Only with the involvement and engagement of charities and the public will we ensure charity can thrive and inspire trust. This openness is reflected in improvements to the services provided in our contact centre, our handling of whistleblowing reports, and in our changed approach to receiving and assessing serious incident reports from charities.

Our second aim was to use our voice authoritatively, to become more vocal in representing public expectations of charity. We have addressed the importance of valuing the benefit charity brings to society in a paper developed with Frontier Economics; we have reviewed our case files to identify the issues that prompt people to raise concerns with us about charities – even where those concerns do not require formal investigation; and, where there has being serious wrongdoing in charities, we have explained more clearly why the failures identified matter, as for example in the cases

involving Oxfam, Save the Children UK, and more recently, the Royal National Institute of Blind People (RNIB). As we enter the next stage of our strategy, we will continue to call out problems, barriers, or behaviours that put charities at odds with public expectations and prevent them from meeting their full potential for good.

I am proud of our achievements in delivering against our two aims for the year, but I am not complacent. I want to continue to make progress. Next year our focus will be on being 'open for business', and becoming a better, more professional organisation. We have set out our five key areas for focus in our business plan for 2020-21, which we have published on GOV.UK.

I would like to thank all Commission staff members for their continued hard work, skill and commitment throughout the year, and for the resilience they have shown since the COVID-19 pandemic hit in March 2020. I have never been prouder of our staff than I was during the early weeks of lockdown when, faced like so many others with unprecedented personal challenges, teams across the organisation worked to deliver new COVID-19 related online guidance for trustees, to provide advice to the giving public, and to handle complex casework enabling charities to respond to the crisis quickly and effectively.

The pandemic continues to place great strain on the charity sector. Many charities are facing financial and operational pressures, which the Commission cannot alleviate, I hope that our pragmatic response to the COVID-19 pandemic is making a modest contribution to the resilience of the sector as a whole. I am confident that by continuing to deliver on our ambitious strategy in the year ahead, we can help ensure that the role of charity in our society is strengthened into the future.

Helen Stephenson, CBE
Chief Executive

Part 2a Overview

The role of the Charity Commission

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

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

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

At 31 March 2020, there were more than 168,000 charities on the register. During the year, we regulated £81.2 billion of charity income (2018-19: £79.0 billion) and £78.7 billion of charity spend (2018-19: £75.6 billion).

Our statutory objectives

Parliament, through the Charities Act 2011, gives us five statutory objectives.

These are to:

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

We have wide discretion in how we achieve our objectives.

Our purpose

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

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

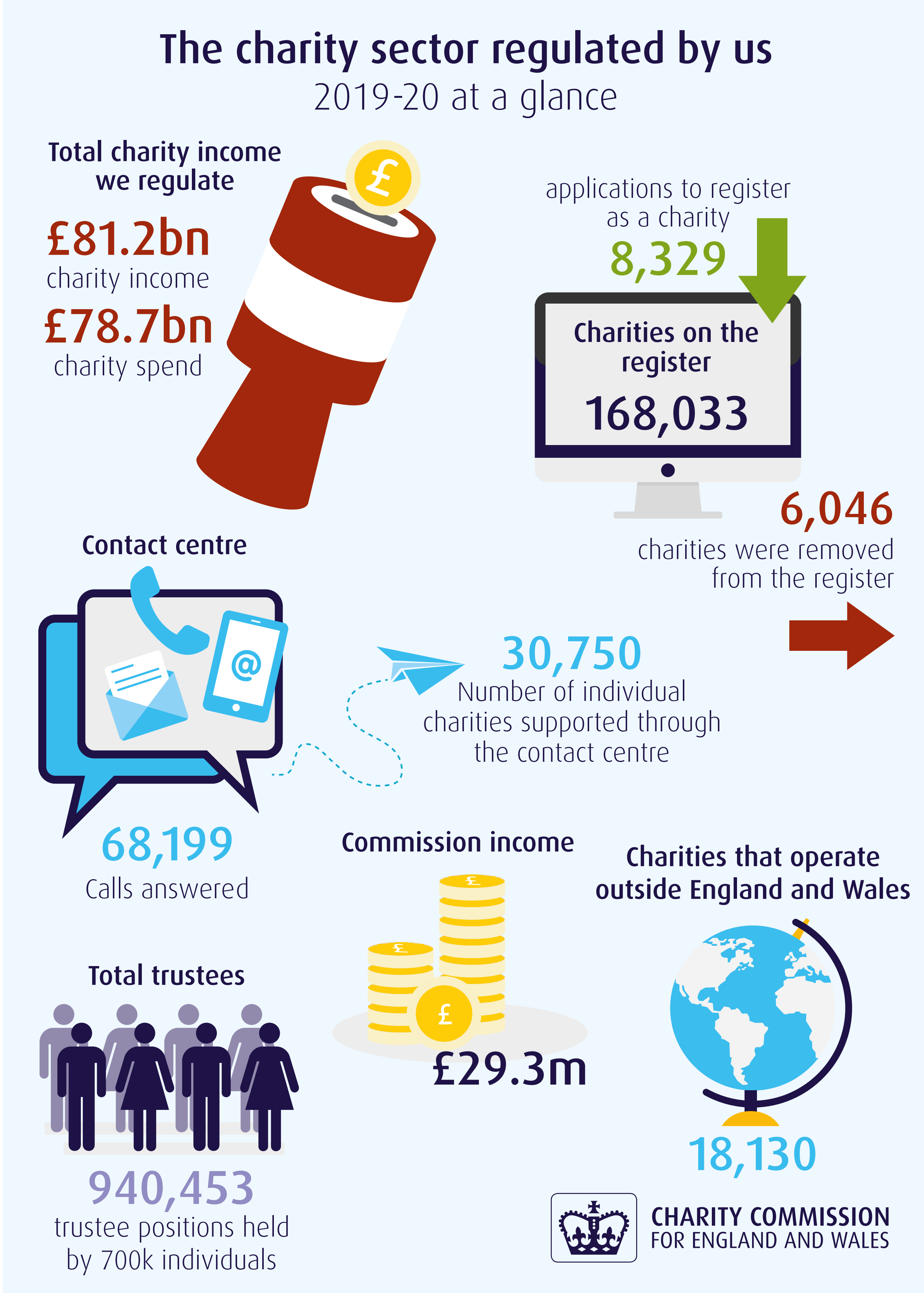
Our purpose drives and informs everything we do, including how we exercise our core functions and meet our statutory objectives.

Our regulatory approach

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

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

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



Our quasi-judicial functions

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

Decisions on charitable status and registration, the use of our powers to give formal advice and permissions, and our compliance work, dealing with investigations and taking remedial action against defaulting trustees and those who abuse charities, are all subject to appeal or review in this way. This year we were involved in litigation in cases brought against our decisions, brought pro-actively by us to secure money lost to charities, and to seek the Court's directions to resolve complex or contentious issues affecting a charity. Some case reports are included within the Legal annex to this report.

Our governance

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

This includes:

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

Our Board pays particular attention to:

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

Baroness Stowell MBE is our Chair and Helen Stephenson CBE is our Chief Executive; they joined in February 2018 and July 2017 respectively. Alongside the Chair and CEO, there are 8 non-executive members of the Commission's Board. In 2019-20, Catherine Quinn and Laurie Benson departed the Board and were replaced by Imran Gulamhuseinwala and Joanne Prowse. For more information about the Commission's governance, see the Accountability Report.

Our resources

In 2019-20 our revenue budget was £29.3 million of which we spent £29.0 million. This was largely funded by HM Treasury.

We employed 421 staff on 31 March 2020 (including board members). From 1 April 2020, we are structured in the following directorates:

- Communications and Policy
- Legal and Accountancy Services
- Regulatory Services
- Resources

We operate across four sites in Liverpool, London, Newport and Taunton. Our Newport office operates bilingually in Welsh and English.

Part 2b Performance Analysis

Operational performance – a summary

This year, we have performed our key statutory functions robustly and effectively and worked with determination to deliver the first year of our strategy. As part of that, we set ourselves a key priority to concentrate on getting the basics right – improving our service levels, and strengthening our systems, structures and process not only to manage, effectively and efficiently, the demand on our core services, but also to improve our frontline services to deliver the customer service that charities and the public have a right to expect.

During 2019-20, even though volumes of incoming casework continued to grow, we reduced historic backlogs, improved systems and processes and introduced changes to ensure continuous improvement. We also made good progress in improving the quality of service we provide, so that it meets better the public's expectations, whilst also dealing with a significant increase in demand for our services. This has included reducing the total volume of work queued and awaiting allocation by 80% between January 2019 and the end of March this year (from 5,339 to just over 1,000), whilst also deciding a record 9,391 registration applications and supporting an extra 6,000 charities by answering 12,000 extra calls to our contact centre.

Our progress in delivering against that priority has been underpinned by important investments to improve and strengthen our IT infrastructure, culminating in rolling out new IT equipment to all staff. These investments paid off almost immediately when the COVID-19 lockdown was initiated, enabling our staff from across our four sites to move to complete home working within a few days, staffing all of our services, including our contact centre, remotely.

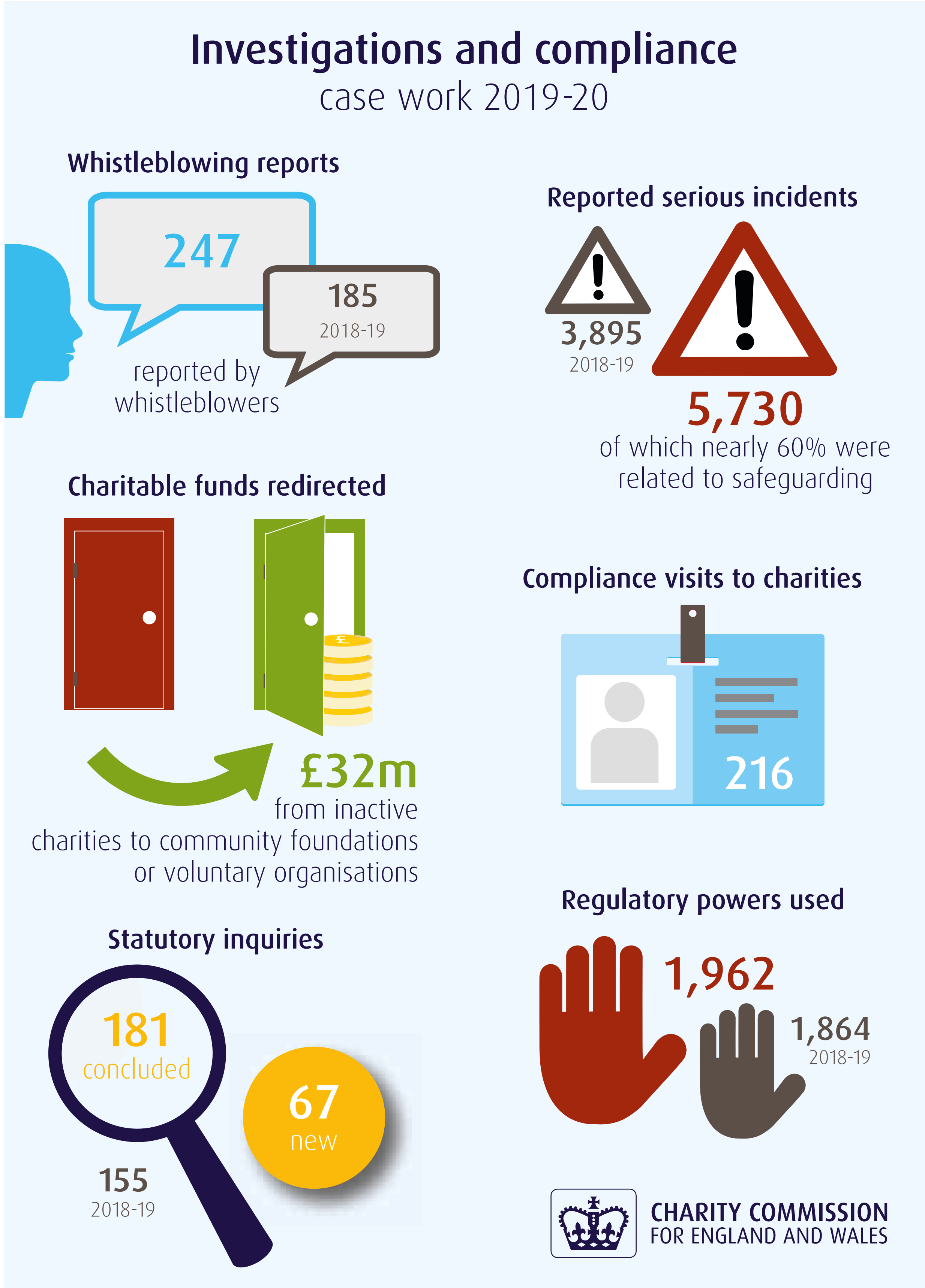
Improving our services

We set out this year to make it easier for charities and the public to engage with us. We have invested in our contact centre, gradually increasing its capacity so that it now offers a continuous full time (9am-5pm) service, every working day (in 2018-19, the opening hours were 10am to midday and 1pm to 3pm, Monday to Friday). This has significantly improved the service we provide to callers: since April 2019, we have answered 90% of calls to our contact centre, with an average waiting time of 130 seconds. During the previous year, we answered just 64% of calls with average waiting time of over 5 minutes.

Improving efficiency and speed in our regulatory work

In April 2019, we had a queue of work awaiting risk assessment and allocation, with assessment taking an average of 40 days. We set a target to reduce this, and now 100% of incoming work is risk assessed and allocated to the correct area of the organisation within five working days.

We concluded 6,246 regulatory action cases this year, (we have changed the way we account for these in 2019-20 making year-on-year comparisons invalid). Of these, 181 were statutory inquiries, our most serious type of regulatory action case. This compares to 155 inquiries concluded in 2018-19 (79 of that 155 related to a single class inquiry into Royal Air Force mess charities). This significant increase reflects our efforts to bring to an appropriate conclusion many older inquiry cases. We opened 67 new inquiries this year; among the more high-profile investigations opened are those into the Professional Footballers' Association (PFA) Charity and SPAC Nation.



Using our powers effectively

We used our powers 1,962 times this year (1,864 times in 2018-19). Among the powers we use most often are those that help us establish whether wrongdoing has taken place, including powers that allow us to direct charities or third parties to provide documents, accounts or statements. However, they also include our powers to protect charities from further harm, such as freezing bank accounts. We also used our power to issue a charity with an Official Warning on 31 occasions (20 in 2018-19), and our power to disqualify a trustee 32 times (22 in 2018-19).

Registration applications – more demand, better service

During 2019-20, we received 8,329 applications (compared to 8,074 in 2018-19) to register a charity. We receive on average 23 new applications a day. On average, only 60% of applications resulted in successful registrations of new charities, demonstrating that our processes involve robust scrutiny.

The service our registration teams offer those applying to register a charity has become timelier and more efficient during the year: we risk assess all applications within two days of receipt, and decide 92% of lower risk applications in less than 30 days. On average, and excluding our highest risk applications, we make decisions within 57 days. We are aiming to improve this further in the year ahead.

New form for reporting serious incidents eases burden on charities

We have strengthened our approach to dealing with reports of serious incidents from charities, thanks to the introduction of a new online form for reporting, which has made it quicker and easier for us to determine whether a report requires further regulatory action. This, in turn, means the new system reduces the burden on charities, notably where incidents reported to us are already being managed appropriately by the charity. Since the introduction of the form, 90% of reports of serious incidents reflected all the information we needed to make an assessment. Prior to the introduction of the form, only 30% of reports included the information we required to decide on our next steps. Reporting charities now receive an email acknowledgement at the point of submission and will receive a formal response from our dedicated triage team within 10 calendar days. Current response times are considerably quicker than that – within three working days at the time of writing.

The volume of serious incidents reported, meanwhile, has increased by 47% year-on-year, to 5,730 (3,895 in 2018-19). Of these 5,730 reports, nearly 60% (3,411), related to safeguarding.

Improving our service to whistleblowers

Whistleblowers are a crucial source of information about potential wrongdoing in charities, and this year we made it a priority to improve the way we communicate with them. In June, we started to pilot a new, more responsive service, which includes a helpline operated by the whistleblowing charity Protect. We also have a dedicated and trained in-house team that deals only with whistleblowers, ensuring all whistleblowers receive a phone-call from us, allowing them to provide any further information. We also provide feedback on the outcome of the case that their information resulted in. We have widened the definition of the whistleblowers from staff members, to all those involved in a charity, including volunteers and trustees. We have seen a continued increase in whistleblowing reports over recent years, with the number increasing by 33% on last year to 247 (185 in 2018-19).

Improving financial transparency

In January 2020, a record volume of Annual Return and Account submissions were made to us by charities. This was as a result of our tightened approach to transparency, notably among higher-income charities, and among those charities defined as double-defaulters, having failed to file accounts for two or more of the previous five years. In total, 98.8% of the sector's income is accounted for through up-to-date financial submissions by charities to us. However, there is still work to do to support the charities who missed the deadline. In particular, the number of smaller charities missing deadlines and not updating the Commission on their income has increased. We are working to communicate better with smaller charities to support them to file on time. We will continue to focus on this in the year ahead.

Being risk-led and outcomes-focused

This year, we updated risk and regulatory framework. The framework ensures we are risk-led in our response to issues that come into us, an approach which makes sure that no issue or complaint is overlooked, whilst ensuring we are proportionate, prioritising the most serious issues and identifying what action is right. The revised framework makes sure we are proactive in tackling risks, and has informed a number of proactive projects, including work to assess the nature and extent of the risk posed by deficits in pension schemes across the sector.

A more strategic approach to the way we collect, and use, data has also allowed us to conclude investigations more swiftly, deploying our resources in the most appropriate areas and better informing the public and other stakeholders.

In March 2020, the board signed-off service standards for our operational areas, which we have published and will be held to account for. Beginning in 2020-21 we will work to these service standards that will remain unchanged for the remaining period of our five-year strategy. These standards have been set and designed for the services we provide to the public and trustees, those who rely on us as a regulator and on whom we depend, so that they can hold us to account.

These service standards, and more meaningful performance reporting against them, will provide a simpler and clearer picture of the timeliness, quality and effectiveness of our operational work, to support good governance in charities and protect beneficiaries. We will offer more information to ensure that the public can see how, each year, we are fulfilling our obligations to protect the public interest and the beneficiaries of charities.

In our Annual Report for 2020-21, we will show our operational performance against service standards that report the: timeliness of the Commission's response to requests and applications; the quality of our services; and the use of our regulatory powers.

Responding to the COVID-19 pandemic

Our initial response to the COVID-19 pandemic was to put in place arrangements to secure the physical well-being, health and safety of our staff. Acting in line with government guidance, we quickly mobilised the workforce to operate, remotely, focusing on ensuring our staff could work effectively from home and putting in place measures to support staff to do this.

The COVID-19 pandemic also triggered a short-term shift in our operational priorities, designed precisely to keep us on track in delivering on our purpose in the public interest. Since the crisis hit in March 2020, we have been:

- Dealing swiftly with permissions case work, such as requests to change a charity's objects, allowing charities to respond to the pandemic.
- Reducing, where possible, short-term regulatory burdens or hurdles that may get in the way of charities responding to urgent need. For example, we introduced a facility allowing charities to apply for a postponement of their annual reporting deadline.
- Ensuring public donations are accounted for in line with the charity law framework and where relevant public expectations have been considered. This has included working with charities whose incomes have increased significantly, to ensure they are resourced to steward and then swiftly apply the funds they hold on trust.
- Remaining 'open for business' for charities requiring guidance and support. We produced a suite of clear, pragmatic online guidance to empower trustees to navigate difficult decisions, while keeping an eye on the longer-term interests of beneficiaries.
- Dealing swiftly and robustly with any concerns about the abuse of the crisis in the name of charity.
- Prioritising applications for registration from organisations responding to the pandemic. Among the charities registered since the pandemic are MailForce, a charity established and supported by the Daily Mail and General Trust to help support NHS staff, volunteers and care workers in the fight against COVID-19, and the Captain Tom Foundation.
- Meeting, weekly, with the sector representative bodies to understand better the specific challenges being face by the sector, and considering how best the Commission can respond and help.
- Working closely as part of the body that makes the 'Statement of Recommended Practice' (SORP) for charities, the rules governing charity financial reporting and accounting, to publish guidance for trustees and advisors helping to prepare charity accounts. This examines the potential impact of COVID-19 pandemic on financial reporting by charities. The guidance considered the implications for the trustees' annual report, going concern and the alternative basis to going concern when preparing accounts under the SORP.

Delivering against our strategic objectives

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

- Holding charities to account
- Dealing with wrongdoing and harm
- Informing public choice
- Giving charities the understanding and tools they need
- Keeping charity relevant

The following section of this report sets out examples of our work against each strategic objective, during 2019-20.

PERFORMANCE ANALYSIS

Holding charities to account

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

This year, we made important steps towards delivering against this objective as we set out below.

Every complaint matters

We committed to ensuring no complaint about a charity would be ignored, and that even in cases where no regulatory action is required, we would add value by helping charities learn lessons, and use the information to inform our trend data about risks facing charities.

We conducted a review of 200 complaints and reports about charities that fell below the threshold for regulatory action, to help us, and charities, learn from the matters raised by the public. The review, which was published in February 2020, found that most complaints were from people in some way invested in a charity – whether beneficiaries, supporters, volunteers and trustees – and related to issues affecting them personally. We found that among the issues that can prompt suspicion and concerns are poorly managed conflicts of interest; often complainants came to us because they felt their concerns had been ignored or dismissed by the charity. We also found that where a charity does not demonstrate sufficient accountability in its public reports and accounts it risks generating suspicion and frustration among its stakeholders.

We hope the review helps charities to take preventative steps that avoid complaints, and to respond with care when problems do arise, avoiding the matters being brought to our attention in the first place.

Promoting financial transparency in charities

It is a core duty of charity trustees to comply with statutory accounting and reporting requirements. Accountability and transparency are also key drivers of public trust in charities. Indeed the millions of views received by our online register each year demonstrate the high and growing public appetite for information about charities.

Unfortunately, some charities fail on the basics, including filing annual documents with the Commission on time or at all, often for more than one financial year. We refer to the latter as double-defaulters, and have been tackling them for some time as part of an ongoing ‘class inquiry’ – an inquiry that a number of charities are subject to at once. This year, we tightened our approach to double defaulters and filing compliance among larger charities generally.

Since November 2019, we have been adding charities to the defaulters class inquiry more regularly and using our powers more quickly as part of the inquiry. As a result, there are now fewer charities in the class inquiry than at any point in previous years, and they are part of the inquiry for shorter periods of time, meaning that information about the finances of these charities is available to the public more quickly. At the start of the year, there were 100 charities that had been part of the inquiry for over 12 months; by the end of the year, there were around 30 charities that had been part of the inquiry for three months. No charity has been subject to the class inquiry for longer than 12 months.

We have also taken a more rigorous approach to high-income charities that fail to be transparent with the regulator and the public by sending more effective and more regular filing reminders to such charities. We engaged with 1,639 charities to bring them up to date with their filing requirements earlier this year. This has proven successful. In January 2020, we received a record volume of Annual Return and Account submissions from charities, ensuring the majority of the sector’s income is being accounted for in financial documents filed with us, helping to promote transparency.

Dealing with wrongdoing and harm

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

Ensuring our investigations make a difference

We concluded a number of high-profile investigations this year, including a number into household name charities, such as Oxfam and Save the Children.

In explaining the findings and conclusions of our inquiries, we have taken care to explain, where appropriate and relevant, not just what the failings were, but why they mattered. For example, in our wider lessons arising from our findings on Save the Children UK, we explained that working cultures in charities require leaders who model the highest standards of behaviour and conduct, and who are held to account properly and consistently when they fall short.

Another inquiry in which we made a tangible difference was that involving Nottinghamshire Miners Home. Our inquiry, which concluded in May 2019, helped ensure a trustee who stole from the miners’ charity to fund private building works repaid over £200,000 to charity. As part of our intervention, we provided vital support to a Serious Fraud Office investigation and ensured those responsible for misuse of charity funds faced the consequences of their actions. Our inquiry also protected assets owned by the charity, and ensured funds could be put to good use for mining communities in Nottinghamshire.

Learning from the data we hold

We assess and analyse all the data we gather in the course of our regulatory work – from serious incident reports, whistleblowing reports, reports from auditors and accountants – as well as from horizon scanning and policy work to ensure we understand and can respond to the key risks facing charities. This ensures our work is risk-led and intelligence-driven: our risk analyses feed directly into proactive casework and inform the development of our guidance and policies. This work has been strengthened this year thanks to our updated approach on reporting serious incidents and whistleblowers.

This year, our data points to issues around the abuse and mistreatment of people remaining the predominant type of harm that risks occurring in charities. Increased reporting through whistleblowing has improved our understanding of the threat, but we need to do more work to ensure we gain the fullest possible picture of the nature and severity of threats around neglect, abuse and mistreatment within the charity sector.

Acting on wider issues identified in regulatory case work

In October 2019, we concluded our statutory inquiry into Bristol Sheltered Accommodation and Support Limited. This investigation, alongside other case work involving similar charities, helped us identify a broader issue around the regulation of such providers. We found that a lack of regulatory framework setting out expectations around the quality of support to beneficiaries expected in such settings, including those that have charitable status, limited our ability to hold trustees to account where the support they provided was called into question. We have shared our concerns with a number of relevant parties, including the Chairs of two Parliamentary Committees and officials at the Ministry of Housing, Communities and Local Government. We understand that work is now underway to define relevant standards and expectations of those providing supported accommodation whether operating in the charity sector or beyond.

Making effective use of our powers

This year, we successfully pursued contempt of court proceedings against two trustees who had failed to comply with an order to supply evidence and documentation to us. We have powers to require individuals to provide information, and while our powers do not allow us to directly enforce such orders ourselves, failure to comply with a Commission order may amount to contempt of court. This is the first time we have taken this step, which demonstrates our resolve to pursue all avenues in the public interest in upholding charity law and to hold trustees to account.

Tacking fraud in charities

While there is no evidence that charities are at greater risk of fraud or financial crime than other types of organisation, the risk of fraud in charities appears to be growing, costing the sector millions each year. The potential impact of this on the reputation of charity and charities' ability to deliver maximum benefit in pursuit of their causes cannot be ignored. We have a crucial role to play, alongside partners, to help charities understand and respond to the threats of fraud and cybercrime.

This year, together with the Fraud Advisory Panel, we commissioned the largest-ever survey of charities' attitudes towards fraud and cybercrime risk. The findings are helping us understand the level of awareness and resilience within charities, allowing us to better target timely guidance and alerts. Our survey insights were published and widely disseminated across the sector, allowing charities to improve their knowledge, identify where they may be vulnerable and take vital preventative action.

We also published, in partnership with our international regulatory partners, Tackling Charity Fraud – Eight Guiding Principles, which we encourage the boards of all charities to adopt.

Informing public choice

Charities need the active and tacit support and generosity of the public to succeed. This means providing people with the information they require to make informed decisions about which charities to support. As the regulator, it is our responsibility to make sure that the information charities provide about themselves is current, accurate and relevant.

This information should be easy to access and use. It should allow charities to demonstrate how effective and efficient they are and show the impact they are making. It should also help to identify gaps or duplicated effort in charitable provision which might suggest new initiatives, partnerships or mergers.

This year, we have laid the foundations necessary in order to allow others (the public, grant makers, policy makers) to use this information purposefully, but this is an area in which we will need to make progress during the next years of our strategy.

New register of charities

We have been working on improvements to our register, to make it easier for the public to find the information on registered charities they need. The design and layout will be informed by user research and experience, so we expect the new register will be easier to navigate. The financial history graphs will be more interactive, with the sector data in a much simpler format. We will build on this over the coming months with user research continuing beyond delivery to understand what users want from the register to be able to make further improvements. We expect the new register to launch later in 2020-21.

Safer giving

The charity sector generates around £81 billion annually which makes it a potential target for criminals – though the number of charity scams is small compared to how much is given safely. We have a responsibility to encourage donors to follow simple steps before giving, such as checking the charity register and asking simple questions, to ensure their money reaches the intended beneficiaries.

Among the campaigns we undertook during the year was one to mark Remembrance Sunday 2019, which marked 100 years of remembrance, during which we encouraged people seeking to donate to military and veterans' causes to 'use their heads, as well as their hearts' when making donations.

Our safer giving initiative and our hashtag #checkcharity, was also visible in the run up to Christmas and during Ramadan.

Giving charities the tools they need to succeed

Our goal as a regulator is to help charities to fulfil the purposes for which they were established, by working with them as well as monitoring them.

Our strategy recognises that this requires us to offer charities guidance and support and provide excellent services to charities. We recognise that, at the moment, our guidance is not as accessible and focused as it needs to be. We want to change that so that we help trustees get things right, before they go wrong, allowing us to concentrate our interventions where they are most needed.

This means improving our online guidance, and ensuring the transactions charities must complete, such as filing reports and accounts and keeping their register entries up-to-date, are user-friendly and effective.

Releasing over £32 million from dormant funds for charities

The Revitalising Trusts programme, which began in January 2018, seeks to release funds from charities that are either inactive, having had no income or expenditure over the last 5 years, or ineffective, having spent less than 30% of their total income over the last 5 years. The project, funded by DCMS and in collaboration with UK Community Foundations (UKCF), has so far released £32 million to help good causes – including charities that are facing financial hardship because of the COVID-19 pandemic.

We seek to work with trustees of identified charities, supporting them where possible to get the charity back up and running, including by helping it appoint new trustees, or to find causes and projects to fund that are in line with its purposes. However, where trustees fail to respond, the programme intervenes to wind a charity up and remove it from the register. Funds are then transferred to the registered charity UKCF or to a similar charity so that the money can be redistributed to the causes intended. We have so far enabled the removal of 179 charities, which alone released assets of over £13.7 million.

Understanding and responding to trustees' needs

We want to help trustees, who are trying to do the right thing, to run their charities effectively. We continue to send out our trustee welcome pack to 115,738 new trustees. This year we undertook research into what trustees thought about our guidance. While we score well on comprehensiveness and detail, we still have more work to do to make our guidance more concise and accessible, and easier to locate and navigate. In the coming year, we will make progress to ensure trustees find it easier to get the help they need from us, in a format that they can understand.

Redesigning our guidance

This year we embarked on a significant review and redesign of our guidance for trustees, so that it more effectively meets trustees' needs. To inform the design of our new guidance, we have analysed insights from research carried out by Populus, from our own casework and from our contact centre. Early testing of guidance in the new design has been carried out with encouraging results.

Better targeting of online information

We are ensuring we target our information more effectively at charities where it is relevant to them. For example, we identified that our new guidance on Charities and Linked Non-Charities would be of particular relevance to over 5,000 registered charities that have trading subsidiaries and contacted them directly to draw their attention to it. Our evaluation showed that this type of communication was an effective way to raise charity awareness of relevant guidance and secure engagement with it.

Keeping charity relevant for today's world

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

This year, we began to assert ourselves more, undertaking a number of projects aimed at understanding the environment in which charities work, informing public debate about charities and their role, and ensuring charities take account of and adapt to a changing society.

Examining the value of charity in society

Together with Frontier Economics, we published a paper designed to help policy and decision makers understand what charity means for, and brings to, our society. It set out different ways in which the value of charity can be defined and measured. In a joint foreword to the paper, our Chair, Baroness Stowell, and Lord Gus O'Donnell argued that charity's value lies not just in its economic footprint, or in what it achieves for its beneficiaries, but also in its power to promote cohesion, well-being, and pride in our society. In order to maximise the potential benefit of charity in the future, those in positions of authority, including within the charitable sector, need to understand and protect what makes charity special and distinctive in the eyes of the public.

Promoting responsible investing

In January 2020, we established a programme of work to understand the barriers that trustees feel prevent them from responsible investing, in line with their charity's purpose and values. We have seen positive levels of engagement with this work and have listened to the views of trustees and CEOs from a range of charities, as well as engaging with investment managers and membership bodies. Informed by a detailed understanding of what charities consider to be barriers and challenges to responsible investing, we will now consider the best way forward to help trustees navigate this complex issue.

Contributing to the review of charity legislation

We can inspire trust if our powers are fit for purpose and if we demonstrate that we are using them well. This year, we contributed to the DCMS-led review of the Charities (Protection and Social Investment) Act 2016.

In our submission to DCMS, we highlighted that, since their introduction, we have used the new or strengthened powers 322 times. The review concluded that we are using these powers appropriately and proportionately – protecting charities from individuals who are unfit to lead them, and tackling abuse of charity more effectively and efficiently. This is reflected in the low success rate of appeals.

Our contribution to the DCMS review is part of our wider strategic project to review our powers and regulatory framework more generally, to assure us that we have the tools we need to deliver our purpose, and to protect what it means to be a charity.

Research and data to measure our impact in the years ahead

This year we aimed to put in place a system for measuring the impact and effectiveness of our strategy. To do this, we commissioned a programme of strategic research looking at the attitudes of the public, trustees and our customers.

Drawing on these findings we have identified five areas where, through annual surveys, we will measure the extent to which our strategy is being achieved.

These five areas are:

- Trustees' understanding of public expectations and their views on how to respond.
- Overall level of public trust and confidence in charities.
- The assurance the public thinks it can draw from the registered status of charities and the importance it attaches to that assurance.
- Trustees' confidence in the Commission's risk-based regulatory model.
- Public awareness of the Charity Commission and familiarity with our work.

This is the first time we will be holding ourselves as a regulator to account in this way: rather than simply measuring our activities or outputs, we will now seek to capture and measure the difference we are making. In this first year, we have established a baseline from which we can measure change over the lifetime of the strategy. We will track and report on these measures annually. The baseline (for each of the five areas) is set out below.

Trustees' understanding of public expectation and their views on how to respond

Two-thirds of trustees said they had a clear understanding of how public expectations ought to shape the way charities go about doing what they do. However, when charities fall short of public expectations nearly as many trustees (36%) say it is because the public do not understand the complexities and difficulties as say that it is because charities do not spend enough time and trouble understanding those expectations and trying to meet them (39%).

Overall level of public trust and confidence in charities

When people were asked on a scale of 0 to 10 how much trust and confidence they have in charities overall, they gave an average score of 6.2. This is up on recent years (it was 5.5 in 2018), and a welcome improvement. But the score is still below where it was in 2014 and in all preceding years from 2014 (we started to measure this in 2005). This recent improvement is welcome.

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

There is a clear difference between the expectations the public have about what being a charity registered by the Commission ought to imply, and what it actually means under current law. Overwhelmingly, the public view a charity's registered status as a mark of confidence allowing them to make basic assumptions about efficiency, impact and conduct.

The public identify the most important factors when it comes to the way a charity operates as:

- That a high proportion of the money it raises goes to those it is trying to help (79%)
- That is operates to high ethical standards (52%)
- That it is making an impact (50%)
- That it is well run (37%)
- That it is doing work central and local government can't or won't do (18%)
- That it treats its employees well (16%)

For each of these factors, between 70-80% of people say that knowing a charity is registered makes them feel more confident it is operating in this way.

Trustees' confidence in the Commission's risk-based regulatory model

Charity trustees have a high degree of confidence in the way they are regulated. We have looked at this across two measures – their views on the likelihood of those involved in wrongdoing being found out by the Commission, and the appropriateness of the sanctions applied against those charities if caught.

In total, 90% of trustees felt confident that the Commission would deal appropriately with wrongdoing and harm once uncovered. But only 75% felt confident – and only 19% felt very confident – in our ability to uncover wrongdoing.

Public awareness of the Charity Commission and familiarity with our work

In terms of public awareness of the Commission, around half (53%) say they have heard of the Charity Commission and of these just over a third (36%) feel they know what we do. This means around one in five (19%) of the population as a whole are both aware and familiar with our work (up from one in eight, or 13%, in 2018).

Part 3 Legal Annex

This Legal annex gives an overview of some of the main legal developments relevant to our legal framework during the year in the High Court and in the First-tier Tribunal (FTT). It focusses on decisions in which the Court or Tribunal has considered significant points of law or of the regulatory framework for charities, and which have informed our approach to their regulation. The Charities Act 2011 is referred to as the 2011 Act.

High Court cases

Charity Commission v Thrift Urban Housing Limited [2019] EWHC 1403 (Ch)

[First Commission petition to wind up a charity under the Insolvency Act 1986]

The Commission presented a petition to wind up a charitable company, Thrift Urban Housing Limited (Thrift), on just and equitable grounds in accordance with section 112(1)(g) of the Insolvency Act 1986. This case is noteworthy because it is the first time the Commission has used its powers under section 113 of the 2011 Act to make a petition of this kind. The Commission was successful in the case.

The Court made it clear that, when deciding whether or not it would be just and equitable to wind up Thrift, it had to carry out a balancing exercise and to identify the aspect or aspects of public interest which would be promoted by making a winding-up order. As part of this process and because winding up is a serious step, the Court would consider whether alternative remedies available to the Commission under the 2011 Act would be more appropriate. The judge noted that this is particularly important in a charity context because of "the general importance of ensuring, if possible and practical, that the good works of a charity will continue for the benefit of those in need of relief and assistance".

The main grounds relied upon by the Commission to demonstrate that it was just and equitable to wind up Thrift included financial mismanagement of charity money, non-existent or missing records, and breaches of the Companies Act 2006 including inconsistent information, failure to keep proper accounting records, confusion, aliases and forgery of signatures.

On the facts, the judge was satisfied that these defaults justified a decision to wind up Thrift on just and equitable grounds. He noted that he may have reached a different conclusion if Thrift had appointed entirely new trustees/directors and if those trustees/directors had offered undertakings to ensure that past failings would not continue. However, in this case, the judge had "no confidence in [the trustees'] duties being fulfilled in the future" [para 103]. Accordingly, while he regretted the loss of "a charity and its potential, future good works", the judge ordered Thrift to be wound up.

Charity Commission v Raymond Wright and Susan Wright [2019] EWHC 3375 (ChD)

[Contempt of court for failure to comply with Commission direction]

In the first case of its kind for the Commission, the Commission was successful in its application under section 336 of the 2011 Act and Civil Procedure Rule 81.15. The Court made a finding of contempt of court against the respondents, Mr and Mrs Wright, trustees of the Darren Wright Foundation, for failure to comply with the Commission's direction (made under section 47 of the 2011 Act) to supply evidence and documentation to assist with the Commission's inquiry.

The detailed judgment provides clear guidance on the use of section 336 of the 2011 Act, which allows the Commission to apply to court for a contempt finding.

Derby Teaching Hospitals NHS Foundation Trust and 16 others v Derby City Council and 44 Others [2019] EWHC 3436 (Ch)

[Charitable rate relief for NHS Foundation Trusts]

This case concerned a claim by various NHS Foundation Trusts for recognition of eligibility for business rates relief and a refund of business rates paid, against the rating authorities in the areas where their properties are based. Business rates are a local property tax for non-domestic properties.

The claim for relief from business rates was under 43(5) and 43(6) of the Local Government Finance Act 1988 (LGFA 1988) on the basis that the NHS Foundation Trusts meet the definition of "charity" in s67(10) of the LGFA 1988 and occupy their properties wholly or mainly for charitable purposes. The Commission intervened in the case as an interested party.

The Court decided in its judgment that the NHS Foundation Trusts do not meet the definition of charity. The claim gave rise to some preliminary issues, which are the subject of the judgment, focussing on whether or not NHS Foundation Trusts meet the relevant definition of 'charity'.

The issues were considered in relation to a lead Claimant, Derby NHS Trust, and a lead Defendant, Derby City Council, as these parties were considered to be representative of all the parties. The judgment focuses in particular detail on the questions of what the purposes of lead Claimant are and whether these purposes fall within the descriptions of purpose in s3 of the 2011 Act.

The judgment identifies that the purposes of an NHS Foundation Trust stem from various sections of the National Health Service Act 2006 (the NHS Act), as amended by subsequent Acts, and are replicated or restated in a similar form in the constitution.

The judge took the view that some of the purposes of Foundation Trusts fell within the description of purposes in s3(1)(d) of the 2011 Act, the advancement of health or the saving of lives, but due to the terminology used in the relevant sections of the NHS Act, and reflected in the governing document of the lead Claimant, its purposes did not exclusively fall within those descriptions.

The judge's conclusion was that a Foundation Trust is not established for charitable purposes only and so is not a charity for the purposes of s43(6) of the LGFA 1988.

In relation to the other issues listed above the judge concluded that he did not have to decide any of these matters in order to decide the case and so would not rule on them. However, he did make certain comments as follows.

He took the view that if a Foundation Trust satisfied all other tests for a charity then the statutory provisions which establish it do not substantially oust the powers of the High Court respect to charities.

In relation to submissions on independence from the state and the difference between a charitable purpose and a government purpose the judge commented that they raised a point of general importance which it would be prudent to leave to be resolved in a case where it is necessary to decide it. He took the same approach to the question of whether to be established for charitable purposes only its assets must be dedicated to charitable purposes on dissolution.

It was accepted by the Defendants that if foundation trusts satisfied all the other requirements for being a charity they would not fail to satisfy the public benefit requirement.

First Tier Tribunal Cases

Nicholson and Others v Charity Commission CA/2018/0011

[Standing to appeal a Commission decision]

The Appellants in this case appealed the Commission's refusal to remove three charities from the register. The FTT dismissed the appeal, agreeing with the Commission that the Appellants did not have standing to bring the appeal and that, in any case, the appeal was brought out of time.

Decisions not to remove a charity from the register can be appealed by the charity trustees, the charity itself (if it is a body corporate), or by "any other person who is or may be affected by the decision". The meaning of the latter phrase was discussed by the Upper Tribunal in Nicholson v Charity Commission [2016] UKUT 198 (TCC), which held that: "in order to be affected by the [Commission's] decision, first the decision itself must relate to the person in some way. Secondly, the person's legal rights must have been impinged or affected by the decision and to be a person who "may" be affected, there must be identifiable impact on the person's legal rights which is likely to occur".

On the facts, the FTT found no evidence that the appellants' legal rights were (or were likely to be) directly impinged or affected by the Commission's decision. The fact that the decision was addressed to the appellants did not mean that they were necessarily affected by it.

The FTT further held that the first Appellant, Mr Nicholson, was not entitled to appeal the Commission's decision at all. This is because he had already been denied permission to challenge a Commission decision on identical subject matter in 2014 and so could not re-litigate a question which has already been judicially determined.

Phelps v Charity Commission for England and Wales CA/2019/0004

[First appeal against a Commission disqualification order]

This case concerned an appeal against a Commission disqualification order made under section 181A of the 2011 Act. The order banned Mr Phelps, the former senior pastor of Rhema Church London, from being a charity trustee or holding a senior management position in a charity for ten years. Rhema Church London is a registered charity.

The case is significant because it is the first time that the Commission's use of the discretionary disqualification power has been challenged in the Tribunal. In addition, the power was used to disqualify someone who held a senior management position and was not acting as a trustee.

The Tribunal considered the grounds referenced in the Commission's order, which were that Mr Phelps had:

- made unauthorised use of the Church's credit cards;
- used the Church's funds to pay for overseas trips without authorisation or evidence that the trips were for a charitable purpose;
- influenced Church members to attend a meeting in breach of the terms of his suspension from employment with the Church; and
- not allowed inspectors to access all parts of the Church's property, to the extent that the Church's interim manager was required to obtain a court injunction to secure adequate and proper access.

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The Tribunal concluded that the Commission was correct and justified in making the order to disqualify Mr Phelps from charity trusteeship. It agreed with the Commission's finding that Mr Phelps was the person primarily responsible for the proven misconduct or mismanagement in the administration of the Church, meaning that the mandatory criteria for making the order were satisfied. The Commission's disqualification order was appropriate because Mr Phelps' conduct "was serious; harm was caused to the Church for which he was primarily responsible and there was a risk of further harm arising from further misconduct or mismanagement if the order were not made."

The Tribunal also agreed that the ten-year disqualification period was proportionate given the seriousness of Mr Phelps' conduct, and that it was right that his disqualification should apply to charities generally. It held that: "In considering the question of proportionality, the key issue is the need to increase public trust and confidence in charities and to promote compliance by charities with their legal obligations in the proper administration of charities."

Abraham Solomon v The Charity Commission for England and Wales CA/2019/0008

[Second Disqualification appeal]

The FTT upheld the Commission's order disqualifying Mr Solomon as a charity trustee or trustee for a charity (for a period of three years and in relation to any charity). The disqualification order was made under section 181A of the 2011 Act which was a power given to the Commission by section 10 of the Charities (Protection and Social Investment) Act 2016.

Mr Solomon was a charity trustee of the charity ANO since its inception in July 2013. ANO is an unincorporated association which has objects which include relieving financial need and suffering amongst victims of natural or other disasters, and aiding the homeless or less fortunate of people living in and around Leicester. ANO was subject to a section 46 inquiry by the Commission.

The events leading to the Commission's disqualification order in relation to Mr Solomon's included his travel to Turkey with about £19,000 of charitable funds in cash, which were seized by police in the UK (but ultimately these funds were returned to ANO sometime later). There were also a previous cash courier sent overseas by ANO, failures to undertake adequate diligence and monitoring in relation overseas projects and large bank transfers of from ANO to Mr Solomon (and other individuals at ANO) to be withdrawn in cash and sent overseas.

The FTT dismissed Mr Solomon's appeal, agreeing with the Commission that:

- in relation to the events above, there had been misconduct/mismanagement in the administration of ANO in relation to the above events (which Mr Solomon was responsible for, he knew of it and failed to take any reasonable step to oppose it, or his conduct contributed to or facilitated the misconduct/mismanagement); and
- as a result of this high level of recklessness over two years, that Mr Solomon was unfit to be a charity trustee or trustee for a charity, and that it was in the public interest to protect public confidence in charities generally that Mr Solomon be so disqualified.

The FTT found that there was no good reason to change the three-year duration of the Commission's disqualification order, pointing to mitigating factors in Mr Solomon's favour, and that the order represented a proportionate and reasonable means of achieving a necessary level of protection.

As a result of the disqualification order, Mr Solomon is automatically disqualified from holding an office or employment with senior management functions (for a period of three years in relation to all charities), by virtue of section 181A(3) of the 2011 Act.

This case is noteworthy because, as the second Tribunal decision concerning a Commission disqualification order and the first oral hearing in respect of such an order, and because the period of the disqualification order was in the lower band of the available ranges the Commission has set out in its Explanatory Statement. As such, the decision provides helpful guidance regarding the basis for the use of this power in taking regulatory action against individuals.

Samson Ochieng v The Charity Commission for England and Wales CA/2019/0017

[Third disqualification appeal]

This was an appeal against a Commission order disqualifying Mr Ochieng from being a charity trustee or trustee for a charity and management position, for a period of eight years and in relation to any charity. The disqualification order was made under section 181A of the 2011 Act. The FTT upheld the Commission's disqualification order and dismissed the appeal.

Mr Ochieng was a founding trustee and subsequently a volunteer at a charity known as Kenya Community Support Network (KCSN) and was instrumental in the charity successfully obtaining significant financial funding from Comic Relief for projects in Kenya. As a result of Comic Relief investigations, the Commission opened an Inquiry into KCSN and found financial irregularities in the charity's UK accounts.

The Commission disqualified Mr Ochieng based on findings of mismanagement and or misconduct in the administration of KCSN.

The FTT agreed with the Commission's conclusion that Mr Ochieng was a de facto trustee despite not being formally a trustee at all relevant times in light of the control that he exercised over the charity.

The FTT upheld the Commission's findings of mismanagement and or misconduct and further found the period of disqualification to be reasonable and proportionate.

This case is noteworthy because this was the first time that the FTT had to consider whether a volunteer was a de facto trustee. The hearing was assisted by live evidence from Comic Relief and their auditors.

ICRI Ltd v Charity Commission CA/2018/0014

[Commission order freezing a bank account]

This was an appeal against the Commission's decision not to discharge an order requiring Barclays Bank Plc not to part with property which it held in two third party bank accounts; thereby protecting charitable funds belonging to Enfield Island Village Trust (the Trust). The appeal was bought in the name of the third party, ICRI Ltd which was connected to the Trust by virtue of having the same director. The FTT dismissed the appeal.

ICRI Ltd argued that the funds in the accounts (which were set up to receive rental income that the Trust earned on two flats that it owned) were not charitable funds and belonged to it or to a third-party managing agent. The Tribunal concluded that the funds in the accounts were at all times charitable. Further, whilst the Tribunal accepted that the funds could be used to pay expenses associated with the management of those flats the fact that some funds could be expended in this way did not cause the funds to cease to be charitable.

The Tribunal found that in all the circumstances the renewal of the order not to part with property was necessary for the purposes of protecting the funds belonging to the Trust and was a proportionate means of achieving such protection.

Part 4 Financial Report

The resource accounts report a revenue underspend of £0.3 million (2018-19: £0.3 million). This underspend amounts to 1.1% of our £29.3 million annual budget, which reflects the tight margins under which the Commission operates in order to maximise resource utilisation.

Our total revenue budget of £29.3 million is funded largely by an HM Treasury grant of £27.5 million (2018-19: £25.5 million), supplemented by additional income of £1.8 million. The increase in the level of grant over the prior year is principally due to a £0.5m carry forward from 2018-19 (gross effect £1.0 million year-on-year) and an increase in funding for depreciation.

The following table sets out our funding limits over the current spending period (2016-21).

	2016-17 (£'000)	2017-18 (£'000)	2018-19 (£'000)	2019-20 (£'000)	2020-21 £'000
Revenue DEL	22,890	20,810	25,450	27,493	29,200
of which non ring-fenced	21,740	19,310	23,850	25,343	27,250
of which ring-fenced depreciation	1,150	1,500	1,600	2,150	1,950
Capital DEL	2,880	3,620	2,200	2,200	2,200

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

Financial performance against statutory limits

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

	Revenue DEL (£'000)	Capital DEL (£'000)	Net Cash Requirement (£'000)
Main Estimate	27,043	1,200	26,473
Supplementary Estimate	450	1,000	1,000
Final Limit	**27,493**	**2,200**	**27,473**
Expenditure and/or cash used	27,175	2,062	26,986
Surplus for year	**318**	**138**	**487**
Performance within funding limit?	✓	✓	✓

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

Sustainability Report

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

Greenhouse Gas Emissions

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

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

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

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

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

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

Detailed analysis of performance on Scope 3:

		2015-16	2016-17	2017-18	2018-19	2019-20
Scope 3 Business Travel Gross Emissions. CO_2/Tonnes		72.8	120.3	123.7	116.18	80.3
Financial indicators (£'000)	Expenditure on official business travel	482	604	514	479	391

Scope 3 covers all types of travel undertaken by Charity Commission staff and use of couriers; both have been significantly reduced this year.

Helen Stephenson
Chief Executive and Accounting Officer
2 July 2020

Part 5 Accountability Report

Statement of Accounting Officer's responsibilities

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

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

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

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

The annual governance statement below sets out the Commission's governance, risk management and internal control arrangements for the financial year 2019-20 and up to the date of approval of our annual report. I have not prepared a separate Directors' Report as the contents of which are included within the Financial Report.

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

Annual governance statement 2019-2020

The Commission's governance structures

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

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

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

Changes to the Board

Over the course of 2019-20, Catherine Quinn, (Chair of the Remuneration and Appointments Committee and member of the Policy and Guidance Committee) and Laurie Benson member of the Audit and Risk Assurance Committee and member of the Policy and Guidance Committee) both stood down from the Board in November 2019 upon completion of their term of appointment.

In November 2019, Imran Gulamhuseinwala OBE and Joanne Prowse were appointed to the Board, both for a three-year term. Subsequently, Imran was appointed as a member of the Audit and Risk Assurance Committee, and Joanne as a member of the Core Change Committee and Remuneration and Appointments Committee. Joanne became Chair of the Remuneration and Appointments Committee in May 2020.

The Board's work

Throughout 2019-20, the Board's focus has been on overseeing the progress towards delivering year 1 of the Commission's 2018-23 Strategy. This has included reviewing and approving the Commission's three-year People Strategy, Data Strategy and associated implementation plan, Communications and Engagement Strategy and year 1 of the agreed IT Roadmap. The Board has also reviewed and refreshed the strategic risks and organisation's strategic risk appetite, approved the new service standards and provided scrutiny of the organisation design programme. The Board has also overseen the implementation of improved arrangements for the management of casework and the review of our Regulatory and Risk Framework.

In March 2020, the Board approved the 2020-21 Business Plan for delivery of the year 2 strategic priorities, with the dual focus of 'being open for business' and 'being a better, more professional organisation.'

Committees of the Board

At the start of 2019-20, our Committee structure was as follows:

Board

Overall strategy and future direction of the Commission

Core Change Committee	**Audit and Risk Assurance Committee**	**Public Interest Litigation and High-risk Cases Committee**	**Remuneration and Appointments Committee**	**Policy and Guidance Committee**
Strategic oversight of the CEO's programme of core change	Internal and external assurance, corporate risk management	Oversight of ongoing public litigation cases and high-risk cases	Oversight of Board-level appointments and senior executive performance and remuneration policy	Oversight of policy, and ensures published guidance focuses on our regulatory priorities and risk framework

In the final quarter of 2019-20, we changed our Committee structure to move from five Committees of the Board to three. The Policy and Guidance Committee ended in January 2020. Matters previously considered by this committee are considered by the Board as part of their strategic oversight of the Commission. The Core Change Committee was a short-term committee which met for the last time in February 2020, following completion of the core change action plan.

Additionally, the Public Interest Litigation and High-Risk Cases Committee (PILHRCC) held its final meeting in March 2020. From April 2020, there will be a Casework Risk Committee. This committee will be responsible for reviewing emerging trends and themes in casework risk, reviewing how the Commission is responding, or planning to respond and providing advice and guidance, where appropriate, on the handling of high-risk casework.

ACCOUNTABILITY REPORT

Committee membership

At the start of 2019-20, the membership of the Committees was as follows:

- Audit and Risk Assurance Committee: Nina Hingorani-Crain (Chair), Laurie Benson, Tony Cohen, and Paul Martin
- Core Change Committee: Tony Cohen (Chair), Mike Ashley, Tina Stowell and Alison White (co-optee)[1]
- Policy and Guidance Committee: Mike Ashley (Chair), Laurie Benson, Kenneth Dibble and Catherine Quinn
- Public Interest Litigation and High-Risk Case Committee: Paul Martin (Chair), Kenneth Dibble, Nina Hingorani-Crain, Ian Karet and Helen Stephenson[2]
- Remuneration and Appointments Committee: Catherine Quinn (Chair), David Gillies (independent), Ian Karet and Tina Stowell

With changes to the Board membership in November 2019, and subsequent revisions to the Committee structure, the Board approved, at their meeting on 30 January 2020, the following changes to the Committee membership:

- Audit and Risk Assurance Committee: Tony Cohen (Chair)[3], Imran Gulamhuseinwala, Nina Hingorani-Crain and Paul Martin.
- Core Change Committee: Tony Cohen (Chair), Mike Ashley, Joanne Prowse and Tina Stowell
- Public Interest Litigation and High-Risk Case Committee[4]: Paul Martin (Chair), Mike Ashley, Kenneth Dibble and Ian Karet
- Remuneration and Appointments Committee: Tina Stowell (Acting Chair)[5], Ian Karet, Joanne Prowse, David Gillies (independent member)

David Gillies BA (Hons), FCIPD, former HR Director Ofgem, has continued throughout the year as the independent, co-opted member of the Remuneration and Appointments Committee. Alison White continued as a co-opted member of the Core Change Committee until end of May 2019.

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1 Until May 2019.
2 Until September 2019.
3 Tony Cohen became Chair of the Audit and Risk Assurance Committee, taking on the role from Nina Hingorani-Crain, from 14 January 2020.
4 The Casework Risk Committee effective from 1 April 2020, has the following membership: Paul Martin (Chair), Mike Ashley, Kenneth Dibble, Ian Karet and Tina Stowell.
5 Tina Stowell was Acting Chair from 1 January 2020 to 27 May 2020. Joanne Prowse became Chair of the Remuneration and Appointments Committee from 28 May 2020.

The work of the Committees

Set out below is an overview of the work the Committees have undertaken during 2019-20. As part of the terms of reference, all committees are required to provide reports to the Board following their meetings.

The **Audit and Risk Assurance Committee** met four times during the year and provided scrutiny, oversight and assurance to me, as accounting officer, and to the Board with regard to the efficient stewardship of the public resources under my control, the integrity and accuracy of our financial statements and annual governance statement, and scrutiny of any reportable incidents such as staff whistleblowing or allegations of fraud. During the year the committee reviewed the continued implementation of corporate risk management, compliance with the new General Data Protection Regulation (GDPR) and development of cyber-security controls and IT disaster recovery. All meetings were attended by external (National Audit Office – NAO) and internal (Government Internal Audit Agency – GIAA) auditors.

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

The **Public Interest Litigation and High-Risk Cases Committee** met six times during the year to monitor complex and high-risk cases, as well as to receive regular reports on emerging themes and trends, and legal and regulatory developments in casework.

The **Policy and Guidance Committee** met twice during the year to consider new and updated guidance, and to monitor the progress of the 2019-2020 workplan, and development of the Guidance Redesign Programme.

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

The **Core Change Committee** met nine times during the year to oversee the CEO's Core Change Project. It was closed in February 2020 following successful delivery of the Committee action plan, including significant improvements in operation (including the elimination of backlogs in this areas), IT, casework oversight and management information.

Quality of information provided to the Board and Committees

The Executive works closely with the Board to ensure it has the information it needs to support informed decision making and to enable effective monitoring of the Commission's work and performance. This year we have improved the quality of our Board and Committee papers, as well as making improvements in Management Information (MI) reported to the Board, through a consolidated dashboard that links the performance of all the operational teams, and that sets out accurate, reliable and timely MI.

Corporate governance code

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

Attendance at meetings

Attendance of Board members and independent members during 2019-20 is listed in the below table.

	Board meetings		Audit and Risk Assurance Committee		Remuneration and Appointments Committee		Public Interest Litigation and High-risk Cases Committee		Core Change Committee (until February 2020)		Policy and Guidance Committee (until January 2020)	
	Attendance	Attendance %	Attendance	Attendance %	Attendance	Attendance %	Attendance	Attendance %	Attendance	Attendance %	Attendance	Attendance %
Board members												
Baroness Stowell MBE (Chair)	12/12	100%			5/5	100%			9/9	100%		
Helen Stephenson CBE (CEO)	12/12	100%										
Mike Ashley	12/12	100%					2/2	100%	9/9	100%	2/2	100%
Tony Cohen	11/12	92%	5/6	83%					9/9	100%		
Kenneth Dibble	12/12	100%					6/6	100%			2/2	100%
Nina Hingorani-Crain	9/12	75%	6/6	100%			2/4	50%				
Ian Karet	12/12	100%			5/5	100%	6/6	100%				
Paul Martin CBE	12/12	100%	6/6	100%			6/6	100%				
Joanne Prowse	5/5	100%			2/2	100%						
Imran Gulamhuseinwala	5/5	100%	1/1	100%								
Catherine Quinn	7/7	100%			2/3	67%					1/2	50%
Laurie Benson	5/7	71%	4/4	100%							2/2	100%
Independent co-optees												
David Gillies					5/5	100%						
Alison White									2/2	100%		

Members' interests

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

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

Executive leadership

Our Chief Executive, and our Directors make up the Directors' Group (DG). The DG works together as the decision-making body on all operational matters, ensuring that we deliver our strategy, and are being driven by our purpose in all we do. The Board has set out a clear journey to maximise the benefit of charity to society and to uphold that which is special about charity in the eyes of the public and DG ensures that the Commission is in the best possible shape to deliver and achieve that ambition.

The DG develops and delivers the business plan, assesses resource against priorities and risks, making appropriate resource allocations; plans and oversees the recruitment of staff all with the aim of achieving the Commission's statutory duties and strategic objectives. The DG has met, formally, once a month throughout 2019-20.

At the start of 2019-20, the Directors' Group was as follows:

- Helen Stephenson CBE – Chief Executive
- David Holdsworth – Deputy CEO and Registrar
- Sarah Atkinson – Director of Policy, Planning and Communications
- David Jones – Director of Corporate Services
- Michelle Russell – Director of Investigations, Monitoring and Enforcement
- Aarti Thakor – Director of Legal Services

Throughout the year there were changes at the executive level of the organisation. In May 2019, David Holdsworth left the Commission, with Michelle Russell and Sarah Atkinson both departing in December 2019.

In August 2019, Helen Earner joined the Commission as Director of Operations, with Roberto Confessore being promoted to Director of Data, Digital and Technology in February 2020 and Paul Latham arriving as the Director of Communications and Policy in March 2020. Throughout 2019-20, the Directors' Group has been supported and strengthened by a number of Interim Directors in various positions, which has maintained momentum in delivery and provided stability in leadership.

In February 2020, we set out our organisation design programme. Through this programme we have sought to align the organisation to better support the delivery of our purpose and strategy. We have reshaped the organisation at the executive level, and are now working to deliver changes at the next level. The changes we have delivered, have begun to provide an opportunity to drive required improvements in accountability, transparency, decision making and delegation. As the organisation design programme rolls-out we will take the opportunity to further strengthen leadership and accountability throughout the organisation.

Executive governance structures

In October 2019, we established the **Executive Casework Committee**. This Committee, which is chaired by the Chief Executive, has met monthly. Its purpose is to ensure that all casework is consistent with the Commission's strategy and is purpose driven. The committee also enables the Chief Executive to give the appropriate assurance to the Board about the effectiveness of casework in the organisation and to ensure that cases are escalated appropriately. Alongside the establishment of the Executive Casework Committee, the Board agreed a set of escalation guidelines. These guidelines describe the process by which the Committee and Board are alerted to cases which provide both risk of failure, but also opportunities in terms of profile, significance and materiality to delivery of our purpose and strategy. These guidelines help to ensure that the Board and the Committee are assured that cases are being handled properly, and are alerted to cases of significance.

Strategy and Management Groups, which were established to manage the co-ordination and delivery of day-to-day outputs, supporting effective decision making and reporting to DG, have continued to meet throughout 2019-20.

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

The **Diversity and Inclusion Forum** (DIF) is a Director-chaired, cross-Commission forum aimed to help the Commission meet its strategic aims and improve the working environment for all by championing equality, diversity and values. Throughout the year, the DIF has led work on raising mental health awareness, promoting Black History month, and establishing and supporting a carers' network.

The **Security Steering Group** (SSG) has continued to provide an overview of physical, personnel, cyber and data security risks and issues. It has been chaired by the Director of Corporate Services, with representation from IT, estates, HR and information governance. This year, the group was enhanced by the additional attendance of a newly appointed Security Adviser, a role required under the Transforming Government Security Programme. The group has met quarterly to review management information on security incidents, plan improvements to the control environment and coordinate the preparation of the Annual Security Health Check.

The **Health and Safety Committee** has met three times during the year to oversee compliance with Health and Safety legislation and assess risks to staff. It is chaired by the Head of Estates and comprises representatives from cross-business functions, office locations and the trades unions.

Responding to COVID-19

Like all organisations, and society as a whole, we have spent the last part of 2019-20 dealing with the unfolding impact of the COVID-19 pandemic. To manage our internal response we stood up the **Incident Response Team**. This cross-organisational team, led by the Director of Corporate Services, has met frequently throughout the stages of the pandemic to co-ordinate our organisational response, dealing with staff working arrangements, internal communications and estates and security issues. In the first few weeks, the Directors' Group met daily to take decisions arising from the situation and to ensure our actions were recorded and communicated. The Board were kept up-to-date through email and meetings.

Our staff have adapted well to remote working and we are delivering on changing operational needs, but there remains a risk to well-being and productivity, and some activities such as outreach and investigations will be more difficult to deliver if the lockdown or enhanced social distancing continue for many months.

In terms of our response to the sector, the **COVID-19 working group** has led the work to identify where we can adopt flexibility and pragmatism in our regulatory approach during the uncertain period, whilst helping trustees to be aware of and think about the wider or longer-term impact of their decisions on their charity. They have also co-ordinated the production and publication of revised guidance, and helped to convene regular meetings of the sector umbrella bodies.

Risk management

We have made progress in implementing our new risk management framework this year, but there is more to do to ensure we have a stronger risk culture and I will look to strengthen our capability and capacity in this area in the year ahead. Following the Board's approval of a revised corporate risk framework in 2018-19, this year the Board has continued – through the Audit and Risk Assurance Committee (ARAC) – its oversight of the implementation of that framework. The strategic risks and risk appetite have been reviewed and the strategic risks have been cascaded into directorate risk registers, and a process of top-down and bottom-up risk management has been implemented. Notably, a network of risk champions is in place, supporting directors to embed risk management in their teams, and a process of risk event reporting has been implemented with the combined benefit of building a risk-aware culture among staff while helping to identify change to risk profiles.

Throughout the year, the ARAC has continued its regular reviews of risk registers. The Committee has undertaken a programme of deep dives to obtain assurance on specific, directorate risks. The risk framework has been subject to internal audit review and their recommendations have helped to further enhance and embed the process. At its January 2020 meeting, ARAC assessed the most effective way to implement assurance mapping, and subsequently directors have been reviewing the control environment at three lines of defence aligned to each strategic risk, with a view to then cascading the assurance maps to operational risk registers during 2020-21. The assurance maps will inform and prioritise assurance activities in 2020-21 and beyond.

ACCOUNTABILITY REPORT

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

Workforce capacity

We started the year with significant backlogs in our operational areas. With focussed effort and with the benefit of additional staff resources joining during the latter part of 2018/19, the teams in the areas ended the year having cleared these backlogs. Nevertheless, there remains a risk that the Commission's workforce will, at times, still lack either the capacity or the capability to fulfil all that is required of it. The relatively small size of our individual teams and resulting risk of single points of failure means that urgent events and new requirements can be difficult to accommodate. In addition, loss of key personnel can have a disproportionate effect on the organisation and some skills are difficult to recruit to.

The onset of the COVID-19 pandemic has increased the likelihood of loss of staff to illness, anxiety or caring duties, combined with potential reduction in productivity from remote working, particularly if critical staff are unavailable. This is compounded by variability in workloads – some teams have, and will continue to, experience higher demand whilst others less, but skills transfer is not always possible.

Case working and customer service

The risk of failure in executing casework or providing the appropriate levels of service to charities and other external customers is a critical focus for me. The services we deliver must provide effective and efficient outcomes, while identifying and tackling wrongdoing in charities. Therefore, our methods for assessing charity and sector risks to align our regulatory priorities continued to be enhanced during the year and have been subject to internal audit review. These developments will continue in the coming year under the new organisational leadership structure, including separating responsibility for quality assurance and management information from operational planning and delivery.

IT systems and cyber-security

As for many organisations, the risks of cyber-attack or major system failure are amongst the most significant we face, particularly given our legacy IT estate. In addition to routine maintenance, testing and patching regimes, we have substantially completed a programme to transform our legacy infrastructure to improve its security and resilience. During the year we migrated to the latest cloud software platform and implemented a Security Operations Centre to monitor and defend against cyber threats. We are aiming to obtain Cyber Essentials Plus accreditation, and will complete a transformational infrastructure programme in Summer 2020 which will provide a better level of resilience. Nevertheless, vigilance and further investment in technology remain high priorities.

Loss of data or data breaches

The risk of confidential information, including personal data controlled or processed by the Commission, being misused, lost, stolen or corrupted remains prominent. We are alert to "insider risk" to our data, whereby accidental or malicious actions by staff result in data breaches. Alongside the practices to control cyber-security risks highlighted above, we continued to ensure that all staff are aware of their obligations and responsibilities for information security, with additional training for information asset owners. More information about the ways in which we are monitoring and controlling data protection can be found in the next section.

Failures in governance

I am acutely aware that to maintain public and stakeholder trust, it is essential that we fulfil our statutory duties and act within our remit, and recognise that this trust could be harmed if the Commission were to materially misuse the powers entrusted to it in law, or the public funds under its control. Effective board and committee oversight of the executive has continued throughout the year. During the year, we have made progress in becoming a truly purpose-driven organisation, embedding this approach in staff communications and business planning. While the recent – and current at the time of writing – COVID-19 pandemic, does pose additional risks, not least around the move to complete remote working, I am confident we have the appropriate arrangements in place to mitigate any damage through day to day governance processes and assurance. In 2020-21, as we make further changes in the senior leadership structure, we will review our executive governance to ensure continuity of operational controls and oversight.

Political uncertainty

In common with other organisations, political uncertainty presents risks which may undermine our ability to carry out or resource our statutory functions. Opportunities to enhance our legal powers to help us to regulate in a changing landscape will also be affected if we are unable to secure legal and policy changes. This risk is heightened by current economic uncertainties. We will work with government stakeholders to seek to mitigate their impact on our regulatory priorities.

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

Towards the end of the year we, like all other organisations, were faced with the COVID-19 pandemic. This has required the Commission to consider its regulatory and operational response. Although the risk of pandemic was not previously a strategic risk, the Commission's incident response was generally effective, both in terms of maintaining business continuity of operations and in supporting government responses to the unfolding crisis and risks to the charity sector. Significant risks persist at the time of writing: impact to charities' business continuity, going concern and potential damage to beneficiaries is expected to grow over the coming months as charities struggle to cope operationally or fail to maintain adequate financial reserves. We are actively managing this risk through data analysis and scenario planning, working with the sector and government to identify mitigations. I anticipate that this will remain a significant strategic risk for the Commission to focus on for the coming year and beyond.

Data Protection

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

Regular reports on compliance with the legislation were made to the Directors' Group, Audit and Risk Assurance Committee and the Board this year. In quarter three, an independent audit of GDPR compliance by the Government Internal Audit Agency (GIAA) reported 'Moderate' assurance, which recommended improving processes for completing Data Protection Impact Assessments (DPIA) for all change initiatives and ensuring completion of data cleanse project activities.

Our data incident management policy ensures that prompt action is taken to contain and resolve data incidents promptly. We pay close attention to all personal data incidents, whether or not they are confirmed as breaches, so that re-occurrences can be prevented, and lessons learnt. Reporting levels increased slightly this year; we recorded a total of 17 breaches of confidentiality (2018-19, 16). All of these breaches were assessed as inconsequential in terms of risk to individuals, therefore notification to the ICO or communication with the individual was not required.

Category/Nature of personal data breach	2019-20	2019-20 Notified to ICO
i Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises	0	0
ii Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises	0	0
iii Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0	0
iv Unauthorised disclosure	17	0
v Other	0	0
Total	**17**	**0**

Independent Assurance and Scrutiny

As in previous years, the Government Internal Audit Agency (GIAA) has delivered our annual assurance programme. Of the four audits and two advisory reviews completed during the financial year, one audit, assessing the effectiveness of our casework management information reporting system, received a 'Substantial' assurance rating, the highest possible level of assurance. The remaining audits received an overall 'Moderate' assurance rating, meaning that some improvements were required to enhance the adequacy and effectiveness of the framework of governance, risk management and control. These audits covered risk management, the risk operating model, data protection and cyber-security, reflecting directors' assessment of priority areas for independent assurance at the start of the year, and confirmed by the Audit and Risk Assurance Committee. The two advisory topics covered corporate risk and cyber-security.

There were no matters arising from the work of internal audit during the period that requires separate comment. Their year-end report confirms that a culture of continual improvement is delivering improvements in governance and risk management, evidenced by a high level of professionalism through which core functions and customer facing activities appear to operate effectively. Internal audit found no fundamental or systemic control weaknesses by design or operation, fraud or improbity, but did find areas where controls have not yet been fully implemented or require improvement for which appropriate actions to address the risks have been agreed with management.

The work undertaken on assurance mapping during the latter part of the year has informed and refined the process of identifying future priorities for independent assurance. This development is noted elsewhere in my report, and will lead to more targeted "third level of defence" assurance programme during 2020-21, principally, but not limited to, those elements undertaken by GIAA.

Accounting officer's statement of effectiveness

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

Helen Stephenson
Chief Executive and Accounting Officer
2 July 2020

Remuneration and staff report

Remuneration Report

Service contracts

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

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

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

Remuneration (including salary) and pension entitlements

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

Remuneration (audited)

All non-executive Board members (excluding the Chair) serving in 2019-20 received a fee of £350 per day (unchanged from last year), so their overall fee/salary reflects days worked.

Catherine Quinn and Ian Karet have provided their services at no cost. No pension contributions are paid (2018-19: £nil).

ACCOUNTABILITY REPORT

Board, Chair and Chief Executive	Fee/Salary £'000		Bonus payment £'000		Pension benefits £'000		Total £'000	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
Baroness Stowell MBE Chair	60-65	60-65	0	0	0	0	60-65	60-65
Helen Stephenson CBE Chief Executive	130-135	130-135	0-5	0	29	93	165-170	220-225
Mike Ashley	5-10	0-5	0	0	0	0	5-10	0-5
Laurie Benson (to 13 November 2019)	0-5 (5-10 full year equivalent)	5-10	0	0	0	0	0-5 (5-10 full year equivalent)	5-10
Paul Martin CBE	5-10	10-15	0	0	0	0	5-10	10-15
Catherine Quinn (to 13 November 2019)	0	0	0	0	0	0	0	0
Kenneth Dibble	15-20	10-15	0	0	0	0	15-20	10-15
Tony Cohen	5-10	0-5 (5-10 full year equivalent)	0	0	0	0	5-10	0-5 (5-10 full year equivalent)
Ian Karet	0	0	0	0	0	0	0	0
Nina Hingorani-Crain	10-15	0-5 (15-20 full year equivalent)	0	0	0	0	10-15	0-5 (15-20 full year equivalent)
Joanne Prowse (from 14 November 2019)	0-5 (5-10 full year equivalent)	0	0	0	0	0	0-5 (5-10 full year equivalent)	0
Imran Gulamhuseinwala (from 14 November 2019)	0-5 (5-10 full year equivalent)	0	0	0	0	0	0-5 (5-10 full year equivalent)	0

Co-opted and independent expert members of Board Committees received payments for their services during the financial year. David Gillies was paid £0-5,000 (2018-19: £0-£5,000) and Alison White (to 31 May 2019), £5-10,000 (2018-19: £0-£5,000).

Directors	Fee/Salary £'000		Bonus payment £'000		Pension benefits £'000		Total £'000	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
Sarah Atkinson (to 31 December 2019)	65-70 (80-85 full year equivalent)	80-85	0-5	0-5	26	35	95-100 (110-115 full year equivalent)	115-120
Aarti Thakor	80-85	65-70 (80-85 full year equivalent)	0-5	0-5	32	31	120-125	100-105 (110-115 full year equivalent)
Michelle Russell (to 31 December 2019)	70-75 (90-95 full year equivalent)	85-90	0-5	0-5	31	30	100-105 (120-125 full year equivalent)	120-125
David Jones	90-95	85-90	0	0	40	25	130-135	110-115
David Holdsworth (to 9 June 2019)	20-25 (80-85 full year equivalent)	80-85	0	5-10	7	32	25-30 (85-90 full year equivalent)	120-125
Roberto Confessore (from 10 February 2020)	10-15 (85-90 full year equivalent)	0	0	0	5	0	15-20 (90-95 full year equivalent)	0
Tim Stockings (from 6 January 2020)	20-25 (95-100 full year equivalent)	0	0	0	9	0	30-35 (105-110 full year equivalent)	0
Christopher McKeogh (from 13 January 2020)	20-25 (100-105 full year equivalent)	0	0	0	3*	0	25-30 (105-110 full year equivalent)	0
Helen Earner (from 6 August 2019)	50-55 (75-80 full year equivalent)	0	0	0	17	0	65-70 (90-95 full year equivalent)	0
Paul Latham (from 16 March 2020)	0-5 (95-100 full year equivalent)	0	0	0	1	0	0-5 (95-100 full year equivalent)	0

* Christopher McKeogh has opted to have a partnership pension account rather than joining the PCSPS. Employer contributions paid for the period were £3,400.

ACCOUNTABILITY REPORT

Colin Douglas is an interim Director employed via a 3rd party. His salary relates to costs incurred, inclusive of disbursements and VAT. His contract commenced on 9 December 2019. In the financial year the Commission paid agency fees totalling to £68,209.

Tim Stockings was an interim Director employed via a 3rd party until 24 September 2019. On 6 January 2020 he became an employee. His salary above relates to payment made via payroll. Costs incurred whilst employed via a 3rd party, inclusive of disbursements and VAT, were £131,661.

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

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce. The banded remuneration of the highest-paid director in the Charity Commission as at 31 March 2020 was £135-140k (2018-19: £130-135k). This was 4.4 times (2018-19: 4.6 times) the median remuneration of the workforce, which was £31,271 (2018-19: £28,649).

In 2019-20, Nil (2018-19: Nil) employees received remuneration in excess of the highest-paid Director. Remuneration ranged from £16,618 to £130,000-135,000 (2018-19: £17,815 to £130,000-135,000).

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

	2019-20	2018-19
Highest earner's total remuneration (£000)	135-140	130-135
Median total remuneration of all staff	31,271	28,649
Ratio	4.4	4.6

No other benefits in kind were paid to the above officials.

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

Reimbursement of expenses

Expenses claimed by Board Members are in respect of actual receipted expenditure for travel, subsistence and accommodation in 2019-20. For the Chair, Chief Executive, Directors and other Commission staff, expenses claimed are in respect of costs expended for business travel and accommodation and subsistence allowance, in accordance with Civil Service guidelines. The Commission publishes on its website details of expenses claimed by the Chair, Board Members and the Chief Executive.

ACCOUNTABILITY REPORT

Pension Benefits (audited)

	Accrued pension at pension age at 31 March 2020 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2020	CETV at 31 March 2019	Real increase in CETV
	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
Helen Stephenson CBE Chief Executive	40-45 plus a lump sum of 120-125	0-2.5 plus a lump sum of 5-7.5	960	867	31
Sarah Atkinson (to 31 December 2019)	15-20	0-2.5	209	186	11
Aarti Thakor	15-20	0-2.5	179	155	11
Michelle Russell (to 31 December 2019)	25-30	0-2.5	373	349	16
David Jones	40-45	0-2.5	784	721	27
David Holdsworth (to 9 June 2019)	5-10	0-2.5	66	62	2
Roberto Confessore (from 10 February 2020)	0-5	0-2.5	30	10	14
Tim Stockings (from 6 January 2020)	0-5	0-2.5	7	0	6
Christopher McKeogh (from 13 January 2020)	0	0	0	0	0
Helen Earner (from 6 August 2019)	20-25 plus a lump sum of 35-40	0-2.5 plus a lump sum of 0-2.5	317	296	7
Paul Latham (from 16 March 2020)	25-30	0-2.5	376	375	0

Civil Service Pensions

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

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

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

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

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

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

Cash Equivalent Transfer Values (CETV)

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

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

Real increase in CETV

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

Civil Service voluntary exit packages

No Board Members or senior executive officials left under the Civil Service Compensation Scheme (CSCS) Voluntary Exit terms in 2019-20. One Director is due to leave in June 2020, and since the liability for these costs were created in 2019-20, they have been accrued into this financial year.

Staff Report

The Charity Commission has continued to focus on ensuring that its workforce is fit for the future. In 2018-19 the workforce grew by 33% at PB5 and below. This year the Charity Commission has focussed on developing the new staff that joined the Commission in the previous year, in addition to designing the leadership needed for the future, the capacity and capability of the senior leadership team and the design of the organisation.

In January 2020, the Charity Commission agreed its People Strategy up to 2023. The key priorities are as follows:

- **Development of our Capability –** Our services will be professionalised by improving technical knowledge, customer service and case working skills.
- **Leadership and Management –** We will professionalise line management, have purpose led leaders who empower and motivate; our future leaders will be nurtured and supported to grow.
- **Culture –** Our culture will be driven by core behaviours that mirror our expectations of charities, driving a workforce that is purposeful, customer focused, flexible, collegiate, empowered, professional and supported by high performance and continuous improvement.
- **Attraction, Recruitment and Sustaining –** Our employer identity supports our purpose, with requirements planned in advance. We recruit or grow people for the future, introduce apprenticeships to build an early talent pipeline.
- **Reward, recognition and retention –** Reward and recognition will recognise and reinforce behaviours and outcomes that are purposeful and make a case for repositioning the reward offer to support recruiting and retaining capability.
- **Organisational Design –** We will organise our workforce in line with our strategic organisation design principles to support our purpose and strategy and improve efficiency and effectiveness. Our workforce will be more flexible, enabling us to meet changing business demands and priorities.

Feedback from staff has shown that the Commission has adapted well to working from home during the COVID-19 pandemic. We are planning carefully to initiate recovery in the short, medium and long term, taking national policy and guidance into account.

ACCOUNTABILITY REPORT

Staff Changes over the year

		31 March 2018	31 March 2019	31 March 2020
Staff on payroll	Number in post	305	406	421
Contingent Labour (Agency and Contractors)	Number in post	23	12	13
Workforce shape*	Headcount at Pay Band 3 and below	28% (86)	28% (111)	30% (124)
	Headcount at Pay Band 4 and above, excluding SCS	70% (214)	71% (280)	68% (280)
	Senior civil servants	2% (5)	1% (6)	2% (8)
Workforce diversity**	BME in full	6%	7%	8%
	Women	57%	57%	57%
	Women (SCS only)	60%	67%	43%
	Disabled	14%	16%	13%
Attendance	Average working days lost	6.7 days	4.7 days	7.4 days
Civil Service People Survey	Engagement Index %	54	65	65

*Our staff on payroll also includes 9 public appointments as at 31 March 2020.

**The diversity figures above are shown as a percentage of those who have completed a voluntary disclosure. For disability 50% of our workforce have completed the disclosure, and for BAME 82% have completed their disclosure.

The size of the workforce in 2019-20 has remained largely static, with an overall increase in headcount over the year of 15. During this period 54 employees have left the organisation and 69 have joined.

There was a decrease in the number of employees declaring that they were disabled, however, the Commission continues to compare favourably with the Civil Service average of 11.7%.

Our attrition figures were higher this year at 54 representing a turnover rate of 13% (9% in 2018-19). The top three reasons for leaving were resignation, transfer to another government department and end of fixed-term contracts. A considerable proportion of those employees who resigned were approaching the end of fixed-term contracts following the increased recruitment from the previous year.

The split of our workforce at 31 March 2020, by employment type, is as follows:

Type of Appointment	31 March 2020 (% of Headcount)
Permanent Employee	83.9% (364 headcount)
Fixed Term	12.2% (53 headcount)
Secondment In	0.9% (4 headcount)
Contingent Labour	3% (13 headcount)

Staff policies applied throughout 2019-20

Throughout the 2019-20 year the Commission continued to apply its staff policies, aligned with Civil Service Employee Policy guidance and best practice.

The key changes made to staff policies in 2019-20 were:

- Introducing new dispute resolution policies one comprehensive policy covering grievance and discipline issues, replacing a number of fragmented policies and now has a clear emphasis on informal resolutions and mediation which is part of improving a culture where staff and managers feel free to call out inappropriate behaviours.
- A reviewed of performance management procedures with an emphasis on clearer differentiation of identifying excellent performance and making it easier for managers to tackle poor performance. We will be analysing the results of this change after the end of the 2019-20 performance cycle.
- Minor amendments to our pay and redeployment policies to modernise language.
- Refreshing our ‘homeworking’ policies to reflect new technology and ways of working to support managers in handling and supporting staff in the virtual environment.

In response to the COVID-19 pandemic, we were able to transition seamlessly to remote operations, with little noticeable impact on the business. We hope to continue the arrangements as required, while travel restrictions continue into 2020-21. We will be considering the longer-term impact on staff policies alongside the planning, as we emerge from these restrictions.

Diversity and Inclusion

Reporting is a legal requirement for organisations with more than 250 employees under the Equality Act 2010 Gender Pay Gap Information Regulations 2017. Our 2019 figures show hourly pay of men in the Commission is on average 2.5% more than women, while for bonus payments women average 9.9% more than men. There has been increased diversity through recruitment in all areas.

A well-established director-led Diversity and Inclusion Forum (DIF) is in place, which is beyond our statutory requirements, improving our representation and our culture. Membership is drawn from all directorates and grades across the Commission. This year the group has been focussed on delivery of the Commission’s Diversity and Inclusion Strategy. Particular emphasis has been placed on championing caring responsibilities – this has culminated in being awarded the Carer Confident benchmark by Carer’s UK. The emphasis on supporting carers as part of a continued intention to continue to embed an inclusive culture, where every employee is encouraged to bring their whole self to work. The Commission continues to focus on the promotion of good mental health, as well as raising awareness on a number of other areas including celebrating national inclusion week, carers week, black history month and a staff-wide carers’ network.

Employee engagement

Our response rate to the People Survey was 81% and we maintained our highest ever engagement index of 65%. This set of survey results confirms the improvements now embedded across many survey engagement themes, which is encouraging. We are particularly pleased that we maintained our record engagement levels across the organisation during a challenging year. We know there are areas that need further improvement and we are committed to developing a people culture of openness and where constructive challenge is promoted.

In October 2019, we ran our second annual Commission Awards scheme, designed to encourage and celebrate great corporate behaviours. This scheme is extremely popular with staff who were invited to nominate colleagues for five different categories of awards: One Commission Collaboration, Building Towards our Purpose, Kindness, Innovation, and Excellence. The CEO awarded the overall winner voted by our Engagement Champions.

Increasing our capability

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

The Commission runs an induction programme to ensure new recruits understand the purpose, role and work of the Commission. Alongside the general induction, new staff to the operational areas of the organisation undertake a week-long additional induction on technical essentials required for casework, ensuring they are effective more quickly. In 2019-20, we also developed the pilot of our Technical Competence programme, designed to increase the competence of work carried out in the commission. We will roll this out, as e-learning modules, throughout 2020-21 to benefit both the individual staff member and the end customer.

We have invested in the development of line managers through the Line Management Essentials programme. This will continue into 2020-21 and beyond, ensuring that we are motivating and supporting our employees to perform well and deliver our purpose. We hold Line Manager workshops to ensure we equip our managers with the knowledge they need to carry out their work effectively.

We are due to launch a skills and capability exercise to understand the current skills of our organisation and the learning requirements over the next 3 years, reviewed annually. This will enable effective planning of the learning required to meet the People Strategy aims and the personal and professional development needs of our people and teams, ensuring we plan the budget to meet identified priorities. Personal development plans will be mandatory from 1st April 2020 to allow considered discussion and review of learning for all our people.

There is a strong focus to get senior leaders across the organisation undertaking a 'Future, Engage, Deliver' programme, widen our 360 degree feedback, introduce a pilot IT apprenticeship programme and determine a longer term apprenticeship strategy.

Trade Union Facility Time

Type of Appointment	2019-20	2018-19
Organisation name	Charity Commission for England and Wales	Charity Commission for England and Wales
Headcount	50 to 1,500	50 to 1,500
Number of TU representatives	17	16
FTE Number of TU representatives	16.6	15.46
Number of TU representatives that spend 0% of working hours on facility time	3	3
Number of TU representatives that spend 1-50% of working hours on facility time	14	13
Number of TU representatives that spend 51-99% of working hours on facility time	0	0
Number of TU representatives that spend 100% of working hours on facility time	0	0
Organisations total pay bill	£19,370,199	£16,159,470
Total cost of facility time	£10,444	£8,407
Percentage of pay spent on facility time	0.05%	0.05%
Percentage of total paid facility time spent on trade union activities	8.9%	11.7%

Staff Costs

	2019-20			2018-19		
	Permanently employed staff	Temporarily employed staff	Total	Permanently employed staff	Temporarily employed staff	Total
	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
Wages and salaries	14,147	0	14,147	12,571	0	12,571
Social security costs	1,442	0	1,442	1,280	0	1,280
Other pension costs	3,573	0	3,573	2,459	0	2,459
Agency staff	0	790	790	0	924	924
Severance costs	209	0	209	0	0	0
(Decrease)/Increase in IAS 19: employee benefits accrual	73	0	73	84	0	84
Total	**19,444**	**790**	**20,234**	**16,394**	**924**	**17,318**
Charged to Capital	(74)	(61)	(135)	(105)	(181)	(286)
Total Net Costs	**19,370**	**729**	**20,099**	**16,289**	**743**	**17,032**

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

The Principal Civil Service Pensions Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as 'alpha' – are unfunded multi-employer defined benefit schemes but the Commission is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (**www.civilservicepensionscheme.org.uk**).

For 2019-20, employers' contributions of £3.5 million were payable to the PCSPS at one of four rates in the range 26.6% to 30.3% of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2019-20 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, which is a stakeholder pension with an employer contribution. Employers' contributions of £31.2k were paid to one or more of a panel of three appointed stakeholder pension providers. Employers' contributions are age-related and range from 8% to 14.75%.

Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £nil was payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

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

Contributions due to the partnership pension providers at 31 March 2020 were £5.8k. Contributions prepaid at that date were £nil.

Average number of persons employed (audited)

The average numbers of full-time equivalent persons (FTE), including senior management, employed during the year was as follows (the 2018-19 figure has been restated to ensure alignment with the methodology used for 2019-20 figure):

	Permanently employed staff	Temporarily employed staff	2019-20 Number	2018-19 Number
Charity Commission staff	362	0	362	319
Agency staff	0	11	11	13
Total	**362**	**11**	**373**	**332**

Reporting of Civil Service and other compensation schemes – exit packages

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

The table below shows the total cost of exit packages agreed and accounted for in 2019-20, of which £52,510 were paid in year with a further £156,800 accrued for:

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
Less than £10,000	0	0	0	0	0	0
£10,000 – £24,999	0	0	1	0	1	0
£25,000 – £49,999	0	0	1	0	1	0
£50,000 – £99,999	0	0	2	0	2	0
Total number of exit packages	**0**	**0**	**4**	**0**	**4**	**0**
Total resource cost (£'000)	**0**	**0**	**209**	**0**	**209**	**0**

	2019-20	2018-19
	£'000	£'000
Highest exit package	95	0
Lowest exit package	15	0
Mean exit package	52	0

ACCOUNTABILITY REPORT

Parliamentary Accounting Disclosures

Statement of Parliamentary Supply

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

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

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

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

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

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

The supporting notes detail the following: Outturn by Estimate line, providing a more detailed breakdown (note 1); a reconciliation of outturn to net operating expenditure in the SOCNE, to tie the SoPS to the financial statements (note 2); a reconciliation of outturn to net cash requirement (note 3); and, an analysis of income payable to the Consolidated Fund (note 4).

Summary of Resource and Capital Outturn 2019-20

								2019-20	2018-19
		Estimate			Outturn			Voted outturn compared with Estimate: Saving/ (Excess)	Outturn
	SoPS Note	Voted	Non-voted	Total	Voted	Non-voted	Total		Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Departmental Expenditure Limit									
– Resource	1.1	27,493	0	27,493	27,175	0	27,175	318	25,183
– Capital	1.2	2,200	0	2,200	2,062	0	2,062	138	2,002
Annually Managed Expenditure									
– Resource	1.1	200	0	200	0	0	0	200	0
– Capital		0	0	0	0	0	0	0	0
Total Budget		**29,893**	**0**	**29,893**	**29,237**	**0**	**29,237**	**656**	**27,185**
Non-Budget									
– Resource	1.1	0	0	0	0	0	0	0	0
Total		**29,893**	**0**	**29,893**	**29,237**	**0**	**29,237**	**656**	**27,185**
Total Resource		27,693	0	27,693	27,175	0	27,175	518	25,183
Total Capital		2,200	0	2,200	2,062	0	2,062	138	2,002
Total		**29,893**	**0**	**29,893**	**29,237**	**0**	**29,237**	**656**	**27,185**

Net Cash Requirement 2019-20

				2019-20	2018-19
	SoPS note	Estimate	Outturn	Net outturn compared with Estimate: Saving/(Excess)	Total outturn
		£'000	£'000	£'000	£'000
Net cash requirement	3	27,473	26,986	487	**25,690**

Administration costs 2019-20

		2019-20			2018-19
		Estimate	Outturn		Total outturn
		£'000	£'000		£'000
		27,493	27,175		**25,183**

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

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

Notes to the Statement of Parliamentary Supply

SoPS 1. Net outturn

SoPS 1.1 Analysis of net resource outturn by section

	2019-20									2018-19
	Outturn							Estimate		Outturn
	Administration			Programme						
	Gross	Income	Net	Gross	Income	Net	Total	Net total	Net total compared to Estimate:	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Spending in department expenditure limit										
Voted: Giving the public confidence in the integrity of charities										
	28,998	(1,823)	27,175	0	0	0	**27,175**	27,493	318	**25,183**
	28,998	**(1,823)**	**27,175**	**0**	**0**	**0**	**27,175**	**27,493**	**318**	**25,183**
Annually managed expenditure										
Voted: Giving the public confidence in the integrity of charities										
	0	0	0	0	0	0	0	200	200	**(0)**
Total	**28,998**	**(1,823)**	**27,175**	**0**	**0**	**0**	**27,175**	**27,693**	**518**	**25,183**

SoPS 1.2 Analysis of net capital outturn by section

	2019-20					2018-19
	Outturn			Estimate		Outturn
	Gross	Income	Net	Net	Net total compared to estimate	Net
Spending in department expenditure limit Voted: Giving the public confidence in the integrity of charities	2,062	0	2,062	2,200	138	2,002
Total	**2,062**	**0**	**2,062**	**2,200**	**138**	**2,002**

SoPS 2 Reconciliation of net resource outturn to net operating expenditure

	SoPS Note	2019-20 £'000	2018-19 £'000
Total resource outturn in Statement of Parliamentary supply	1.1	27,175	25,183
Utilisation of Provision		0	(0)
Movement in provision in year		0	(0)
Net operating expenditure in Statement of Comprehensive Net Expenditure		**27,175**	**25,183**

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

SoPS 3 Reconciliation of net resource outturn to net cash requirement

	SoPS Note	Estimate £'000	Outturn £'000	Net total outturn compared with Estimate: Saving/(Excess) £'000
Resource Outturn	1.1	27,693	27,175	518
Capital Outturn	1.2	2,200	2,062	138
Accruals to cash adjustments:				
Adjustments to remove non-cash items:				
Depreciation/Amortisations		(2,150)	(2,256)	106
Revaluations		0	(8)	8
New provisions		(200)	0	(200)
Auditors remuneration		(70)	(65)	(5)
Adjustments to reflect movements in working balances:				
Increase/(decrease) in trade and other receivables		0	33	(33)
(Increase)/decrease in trade and other payables		0	45	(45)
Net cash requirement		**27,473**	**26,986**	**487**

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

ACCOUNTABILITY REPORT

SoPS 4 Amounts of income to the Consolidated Fund

	Outturn Total		Prior Year 2018-19	
	Accruels	Cash Basis	Accruels	Cash Basis
	£'000	£'000	£'000	£'000
Income outside the ambit Estimate	0	0	0	0
(Excess) cash surrenderable to the Consolidated fund	0	0	0	0
Total payable to the Consolidated fund	**0**	**0**	**0**	**0**

Regularity of expenditure (audited)

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

Fees and charges disclosure requirements under Managing Public Money are met in Note 2 to the Accounts. The column headed 'Other Government Funded projects' relates wholly to services for which costs are fully recovered.

Helen Stephenson
Chief Executive and Accounting Officer
2 July 2020

ACCOUNTABILITY REPORT

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

Opinion on financial statements

I certify that I have audited the financial statements of the Charity Commission for the year ended 31 March 2020 under the Government Resources and Accounts Act 2000. The financial statements comprise: Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

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

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2020 and of the Department's net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2020 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Charity Commission in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Charity Commission's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Charity Commission have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Charity Commission's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Charity Commission's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management. • evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Conclude on the appropriateness of the Charity Commission's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Charity Commission's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause Charity Commission to cease to continue as a going concern.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit. I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of the Charity Commission and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

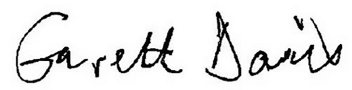
Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

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

Report

I have no observations to make on these financial statements.



Gareth Davies
Comptroller and Auditor General

14th July 2020
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Part 6 Resource Accounts

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Statement of Comprehensive Net Expenditure

For the year ended 31 March 2020

This account summarises the expenditure and income generated and consumed on an accruals basis. It also includes other comprehensive income and expenditure, which include changes to the values of non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

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

		2019-20	2018-19
	Note	£'000	£'000
Operating income	5	(1,823)	(1,663)
Total operating income		**(1,823)**	**(1,663)**
Staff costs	4	20,099	17,032
Other administration costs	4	8,899	9,814
Total operating expenditure		**28,998**	**26,846**
Net operating expenditure		**27,175**	**25,183**

Statement of Financial Position

As at 31 March 2020

The Statement of Financial Position is a summary of all the Commission's assets and liabilities as at 31 March 2020.

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

	Note	31 March 2020 £'000	31 March 2019 £'000
Non-current assets:			
Property, plant and equipment	6	749	670
Intangible assets	7	5,910	6,191
Total non-current assets		**6,659**	**6,861**
Current assets:			
Trade, other receivables and prepayments	10	1,119	1,086
Cash and cash equivalents	9	487	290
Total current assets		**1,606**	**1,376**
Total assets		**8,265**	**8,237**
Current liabilities:			
Trade and other payables	11	(3,878)	(3,726)
Total current liabilities		**(3,878)**	**(3,726)**
Total assets less liabilities		**4,387**	**4,511**
Taxpayers' equity:			
General fund		4,387	4,511
Total taxpayers' equity		**4,387**	**4,511**

Helen Stephenson
Chief Executive and Accounting Officer
2 July 2020

Statement of Cash Flows

For the year ended 31 March 2020

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

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

	Note	2019-20 £'000	2018-19 £'000
Cash flows from operating activities			
Total Net operating expenditure		(27,175)	**(25,183)**
Non-cash transactions	3	2,329	1,753
(Decrease)/increase in trade and other receivables	10	(33)	(7)
(Decrease)/increase in trade and other payables	11	(45)	(232)
Net cash outflow from operating activities		**(24,924)**	**(23,669)**
Cash flows from investing activities			
Purchase of plant, property and equipment	6	(345)	(485)
Purchase of intangible assets	7	(1,717)	(1,536)
Net cash outflow from investing activities		**(2,062)**	**(2,021)**
Cash flows from financing activities			
From Consolidated Fund (Supply) – current year		27,183	24,690
Net financing		**27,183**	**24,690**
Net (decrease)/increase in cash in the period		**197**	**(1,000)**
Cash and cash equivalents at the beginning of the period		**290**	**1,290**
Cash and cash equivalents at the end of the period		**487**	**290**

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2020

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

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

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

Changes in taxpayers' equity for 2018-19		
	Note	£'000
Balance as at 1 April 2018		**3,943**
Non-cash charges – auditors' remuneration	4	61
Net operating cost for the year		(25,183)
Total recognised income and expense for 2018-19		**(25,122)**
Net Parliamentary Funding – drawn down		24,690
Net Parliamentary Funding – deemed		1,290
Supply payable		(290)
Balance as at 31 March 2019		**4,511**

Notes to the Departmental Resource Accounts

1. General Information

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

Our responsibilities are:

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

2. Statement of accounting policies

These financial statements, which cover the accounting period 1 April 2019 to 31 March 2020, have been prepared in accordance with the Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Commission for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Commission are described below. They have been applied consistently in dealing with items that are considered material to the financial statements.

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

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

2.1 Accounting convention

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

2.2 Property, plant and equipment

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

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

2.3 Intangible assets

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

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

2.4 Depreciation and Amortisation

Property, plant and equipment and intangible assets are depreciated/amortised at a rate calculated to write down their value to their estimated residual value on a straight-line basis over their estimated useful life. Depreciation on property, plant and equipment, and amortisation on intangible assets, is applied in the year of acquisition for purchased assets or, in the case of assets under construction, in the year which the asset is brought into use. Asset life is normally in the following ranges:

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

2.5 Impairments

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

2.6 Inventories

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

2.7 Operating income

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

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

2.8 Administration expenditure

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

2.9 Foreign currency

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

2.10 Pensions

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

2.11 Leases

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

2.12 Value added tax

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

2.13 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, the Commission discloses for Parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Managing Public Money. Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament noted separately. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

2.14 Significant estimates and judgements

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

2.15 Future Accounting Standards

IFRS 16 Leases is effective for periods beginning on or after 1 January 2019. The new standard will be implemented from 1 April 2021 for government departments and reflected in the FReM from 2021-22.

It will be applied retrospectively with no restatement. The cumulative effect of applying the standard will be an adjustment to the opening balance of taxpayer equity.

3. Statement of Operating Costs by Operating Segment

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

	2019-20			2018-19		
	£'000			£'000		
	Charity Commission: core business	Other government funded projects	Total	Charity Commission: core business	Other government funded projects	Total
Gross Expenditure	27,175	1,823	**28,998**	25,183	1,663	**26,846**
Income	0	(1,823)	**(1,823)**	0	(1,663)	**(1,663)**
Net Expenditure	27,175	0	**27,175**	25,183	0	**25,183**
Total Assets	**8,003**	**262**	**8,265**	**8,080**	**157**	**8,237**
Total Liabilities	**(3,823)**	**(55)**	**(3,878)**	**(3,674)**	**(52)**	**(3,726)**
Net Assets	4,180	207	**4,387**	4,406	105	**4,511**

RESOURCE ACCOUNTS

4. Expenditure

		2019-20	2018-19
	Note	£'000	£'000
Staff Costs:			
Wages and salaries		14,147	12,571
Social security costs		1,442	1,280
Other pension costs		3,573	2,459
Agency staff		790	924
Severance costs		209	0
Increase in IAS 19: employee benefits accrual		73	84
Total		**20,234**	**17,318**
Charged to Capital		(135)	(286)
Total net costs		**20,099**	**17,032**
Goods and services:			
Rentals under operating leases		1,087	889
Travel, subsistence and staff related costs		1,056	1,362
Accommodation		248	367
Office services		241	129
Contracted services/consultancy		907	1,041
Information systems and telephony		2,709	3,734
Specialist services		319	538
Losses and special payments		3	1
Total Goods and services		**6,570**	**8,061**
Non-cash items:			
Depreciation	6	258	159
Amortisation	7	1,998	1,501
Revaluation/re-lifed assets	6 & 7	8	13
Loss on disposal of fixed asset	6 & 7	0	19
Auditors' remuneration		65	61
Total non-cash items:		**2,329**	**1,753**
Total expenditure		**28,998**	**26,846**

The amount spent on consultancy during the year was £36,600 (2018-19 £73,000). Further analysis on staff numbers, compensation scheme packages and pension disclosure can be found within the accountability report.

Auditors

This year's resource accounts have been audited by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General. No further services were provided by the NAO. The cost of audit work was £64,000 (2018-19: £60,000). In addition, a fee of £1,200 (2018-19: £1,000) was charged to the Commission in 2019-20 for the audit of the Official Custodian of Charities' 2019-20 Financial Statements.

5. Income

	2019-20	2018-19
	£'000	£'000
Income received from other UK government departments:		
in respect of the International and Counter Terrorism Programmes	1,442	1,447
in respect of services rendered	50	66
income to support DCMS initiatives	331	150
Total income	**1,823**	**1,663**

RESOURCE ACCOUNTS

6. Property, plant and equipment

	Information technology	Furniture and fittings	Leasehold improvements	Total
	£'000	£'000	£'000	£'000
2019-20				
Cost or valuation				
At 1 April 2019	2,068	63	525	**2,656**
Additions	345	0	0	**345**
Disposals	(299)	(57)	0	**(356)**
Impairments	0	0	(8)	**(8)**
At 31 March 2020	**2,114**	**6**	**517**	**2,637**
Depreciation				
At 1 April 2019	1,575	62	348	**1,985**
Charged in year	202	1	56	**259**
Disposals	(299)	(57)	0	**(356)**
At 31 March 2020	**1,478**	**6**	**404**	**1,888**
Net Book Value at 31 March 2019	**493**	**1**	**177**	**671**
Net Book Value at 31 March 2020	**636**	**0**	**113**	**749**
2018-19				
Cost or valuation				
At 1 April 2018	1,627	63	481	**2,171**
Additions	441	0	44	**485**
Disposals	0	0	0	**0**
At 31 March 2019	**2,068**	**63**	**525**	**2,656**
Depreciation				
At 1 April 2018	1,472	61	293	**1,826**
Charged in year	103	1	55	**159**
Disposals	0	0	0	**0**
At 31 March 2019	**1,575**	**62**	**348**	**1,985**
Net Book Value at 31 March 2018	**155**	**2**	**188**	**345**
Net Book Value at 31 March 2019	**493**	**1**	**177**	**671**

All assets are owned by the Commission. There are no assets held under finance leases (nil in 2018-19).

7. Intangible assets

	Databases and management systems	Websites	Assets under construction	Total
	£'000	£'000	£'000	£'000
2019-20				
Cost or valuation				
At 1 April 2019	15,613	0	0	**15,613**
Additions	0	0	1,717	**1,717**
Transfers	344	0	(344)	**0**
Disposals	(1,080)	0	0	**(1,080)**
At 31 March 2020	**14,877**	**0**	**1,373**	**16,250**
Amortisation				
At 1 April 2018	9,422	0	0	**9,422**
Charged in year	1,998	0	0	**1,998**
Disposals	(1,080)	0	0	**(1,080)**
At 31 March 2020	**10,340**	**0**	**0**	**10,340**
Net Book Value at 31 March 2019	**6,191**	**0**	**0**	**6,191**
Net Book Value at 31 March 2020	**4,537**	**0**	**1,373**	**5,910**
2018-19				
Cost or valuation				
At 1 April 2018	12,717	28	1,967	**14,712**
Additions	0	0	1,536	**1,536**
Transfers	3,490	0	(3,490)	**0**
Disposals	(594)	(28)	0	**(622)**
Impairment	0	0	(13)	**(13)**
At 31 March 2018	**15,613**	**0**	**0**	**15,613**
Amortisation				
At 1 April 2018	8,496	28	0	**8,524**
Charged in year	1,501	0	0	**1,501**
Disposals	(575)	(28)	0	**(603)**
At 31 March 2019	**9,422**	**0**	**0**	**9,422**
Net Book Value at 31 March 2018	**4,221**	**0**	**1,967**	**6,188**
Net Book Value at 31 March 2019	**6,191**	**0**	**0**	**6,191**

All intangible assets are owned by the Commission. There are no intangible assets held under finance leases (nil in 2018-19). Assets under construction represent expenditure on IT developments.

The amortisation charge in the year of £1,998k for intangible assets incorporates the revision of the economic life of the risk engine and risk data and hub databases from 5 years to 4 years. As a result, accelerated depreciation of £120,343 was charged during the year and the net book value of these intangible assets, after the revision of the economic life, is down to nil as the assets will no longer be in use.

8. Capital and other commitments

8.1 Capital commitments

As at 31 March 2020, the Commission had no capital commitments (nil as at 31 March 2019).

8.2 Operating leases

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

	2019-20	2018-19
	£'000	£'000
Obligations under operating leases comprise: Buildings		
Not later than one year	1,300	828
Later than one year and not later than five years	2,470	2,093
Later than five years	1,904	1,415
	5,674	**4,336**

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

9. Cash and cash equivalents

	2019-20	2018-19
	£'000	£'000
Balance at 1 April	**290**	**1,290**
Net change in cash and cash equivalent balances	197	(1,000)
Balance at 31 March 2020	**487**	**290**
The following balances at 31 March were held at:		
Government Banking Services	487	290
Balance at 31 March 2020	**487**	**290**

The Commission holds no cash equivalents.

10. Trade, other receivables and prepayments

	2019-20	2018-19
	£'000	£'000
VAT	355	305
Other receivables	52	50
Prepayments and accrued income	712	731
	1,119	**1,086**

11. Trade and other payables

	2019-20	2018-19
	£'000	£'000
Amounts falling due within one year:		
Taxation and social security	396	362
Trade payables	919	877
Other payables	1	4
Staff exit costs	141	0
Accruals and deferred income	1,934	2,193
Amounts issued from the Consolidated Fund for Supply but not spent at year end*	487	290
	3,878	**3,726**

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

11.1 Legal

The Commission had no material legal commitments or liabilities as at 31 March 2020 (nil as at 31 March 2019).

12. Contingent liabilities

The Commission has no contingent liabilities judged to be probable or material at 31 March 2020 (nil as at 31 March 2019).

13. Related party transactions

During the year 2019-20, no Board Member, key manager or other related parties undertook any material transactions with the Commission except remuneration (Board and senior staff salaries are disclosed within the accountability report). As an entity, the Commission had a small number of transactions with other government departments and other central government bodies. These transactions were with the Foreign and Commonwealth Office, the Home Office, the Department for Work and Pensions, the Office of National Statistics, the Office of Civil Society, the Ministry of Justice, the Government Internal Audit Agency, and the Charity Commission for Northern Ireland. All transactions were undertaken on arm's length terms.

14. Events after the reporting period date

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

RESOURCE ACCOUNTS

Glossary (not audited)

Accruals

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

Amortisation

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

Annually Managed Expenditure (AME)

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

Capital expenditure

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

Consolidated Fund

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

Contingent liability

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

Corporate governance

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

Delegated Expenditure Limit (DEL)

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

Depreciation

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

Estimate/Supply Estimate

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

RESOURCE ACCOUNTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Supply
The resources voted to the Commission by Parliament.

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

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