Charity Commission
Annual Report and Accounts 2010-11

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Charity Commission

Annual Report and Accounts 2010-11
(For the year ended 31 March 2011)

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

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Any enquiries regarding this publication should be sent to us at enquiries@charitycommission.gov.uk

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Introduction by the Chair and Chief Executive

"rising to the challenge"

The past year at the Charity Commission has been marked by considerable change. In autumn 2010, we said goodbye to Andrew Hind, whose term of office had come to an end, and welcomed our new chief executive. Shortly afterwards, the outcome of the 2010 spending review revealed that our funding is being reduced by a third over four years.

We responded with a thorough review of our strategy and structure, informed by a comprehensive consultation. We were heartened by and grateful for the insight that our stakeholders across the sector and beyond brought to the consultation. It is clear that the public and charities place high value on the existence of an independent regulator of charities.

At the time of writing, our new strategy is still under development. But the principles underlying our future work are clear. Our consultation revealed a broad consensus that the Commission exists primarily to serve the public. We will therefore focus on our core regulatory role and on doing the things that only we can. Maintaining the register, promoting compliance with charity law and developing online guidance will constitute our core activity. We will also work with the sector to develop a more proactive approach to identifying and mitigating the key risks facing charities.

While 2010-11 has been anything but a 'business as usual' year, our day-to-day work has, of course, continued. It is a testament to the commitment and professionalism of the Commission's staff that, despite the very considerable uncertainty associated with the strategic review, not least the loss of many valued colleagues, we have met all of our Key Performance Indicators (KPIs). This is the first year in which we have achieved across the board success against the KPIs – a feat of which we think the Commission's staff should be rightly proud. But we are not complacent and recognise that maintaining these levels of performance will require continued efforts to improve and streamline our services and motivate our staff.

The Commission, of course, is not the only organisation having to review fundamentally its purpose and priorities. Many charities find themselves in a similar situation and the sector as a whole faces a long-term funding challenge.

The Commission cannot solve these problems on charities' behalf. However, by providing a robust framework of charity regulation, we can contribute to upholding high levels of public trust and confidence in charities, thus helping to secure continued support for a sector that plays such a crucial role in society.

Dame Suzi Leather
Chair

Sam Younger
Chief Executive

"By providing a robust framework of charity regulation, we can help uphold high levels of public trust and confidence in charities."

This year's report

This year's report differs slightly from those of previous years. In line with new guidelines, this year's document combines the Annual Report and the Resource Accounts, which were previously laid before Parliament separately.

To make the combined report easy to navigate, we have divided it into three parts. The first functions as the customary Annual Report, the second sets out how we have performed against our key performance indicators and the final part details our Resource Accounts for this year.

The Annual Report itself is structured around the theme of the 'charity life-cycle' and takes the reader on a journey through the Commission's services and priorities, highlighting key areas of our work this year and setting out where and how our priorities will be changing as a result of the strategic review.

This year in figures

- Registered 5,776 charities in a reduced average time of 29 days
- Made accounts and annual returns available to the public for nearly 99% of the sector's income
- Carried out 1,900 assessments into concerns raised about charities by the public and other complainants
- Completed 167 compliance investigations, of which 9 were statutory inquiries
- Exercised legal powers on more than 10,000 occasions, including 505 legal schemes for charities to change and modernise
- Dealt with over 224,000 contacts with trustees and other customers via post, email and telephone
- Achieved an 8.7% increase in take-up of our online services
- Received nearly 42 million page views of our website
- Handled 726 Freedom of Information requests
- We spent 53 pence to regulate every £1,000 of income received by registered charities in 2010-11

Planting the seed: registration and the online Register

Registration

Registration with the Charity Commission is an important step in the life of most charities – often, it's the first step trustees take. While the smallest charities are not required to register, registration is compulsory for charities with annual incomes of £5,000 or over[1]. This year, 5,776 charities joined the Register.

Being a registered charity is a privilege – we know from research that people associate charity registration with legitimacy and trustworthiness[2]. It is therefore important that we get the process right. This means gathering the information needed to ensure charities are accountable to the public, without placing an excessive burden on trustees.

The law sets out which organisations can and cannot be charities. We apply the law by looking at whether an organisation's aims are exclusively charitable and whether it is set up for the public benefit. The time it takes to register depends on how complex the case is, but we aim to register charities in an average of 30 days. This year, we exceeded our target by registering charities in an average of 29 days.

This year, we made registering online even easier, by upgrading our services to allow charities to send us supporting documents, such as governing documents, electronically. That helped increase the proportion of charities registering online to 88% in 2010-11, up from 50% in 2009-10.

The Charities Act 2006 changed the way some charities are regulated, meaning that some previously exempt from registration are now required to register. This came into force in 2009 and, since then, we have been working with these charities to bring them on to the Register. In 2010-11, 36 Student Unions joined the Register, along with Cardiff, Glamorgan, Swansea and Swansea Metropolitan Universities and 43 Oxford and Cambridge University colleges. We have worked closely with umbrella bodies, including the National Union of Students, to help streamline the registration process for these charities. The new framework is designed to improve accountability across the sector.

The online Register of Charities

The Register is available for everyone – including members of the public and grant-makers – to view online. Every registered charity has its own entry, allowing people to find information such as what it does, who its trustees are, and how it spends its money. This year, charities' details were viewed online over 5.6 million times.

The information displayed on the online Register comes from charity trustees, who have a duty to send us certain documents every year.

These reporting requirements are among the most important ways for charities to demonstrate transparency and accountability. Research into public trust in charities, published in July 2010, shows that people place increasing value on knowing how charities spend their money[3]. Submitting documents on time is therefore an important factor in maintaining trust in individual charities and the sector as a whole.

The percentage of charities submitting their documents within the 10-month legal deadline is increasing. 84% of charities filed annual returns within the deadline in 2010-11 – up from 81% in 2009-10. These charities represent over 95% of the sector's income.

When a charity fails to meet its filing deadline, this will show against its name on the Register of Charities, potentially putting it at a disadvantage when raising funds from the public or applying for grants or

1 This excludes exempt and excepted charities. For more information about exempt and excepted charities, please see the relevant pages on the Commission's website.
2 Focus group research published by Ipsos MORI in December 2010 as part of the Commission's strategy review.
3 Research into public trust and confidence in charities conducted by Ipsos MORI and published in July 2010.

"helping good intentions to germinate"

contracts. Where a charity fails to file documents and provides no other evidence of activity we will consider whether it is inactive and, if so, remove it from the Register.

We are keen for others to help develop understanding about charities. This year, we made 15 new agreements with organisations, allowing them to make use of the data we hold on charities. This has widened the variety of websites displaying information about charities (such as *Open Charities*), and the groups using our data for research purposes (including the *Third Sector Research Centre*). A partnership with *Charities Aid Foundation* to promote public accountability and broaden knowledge about the sector was launched in April 2011 through the website *Charity Trends*.

Looking ahead:

- Registering charities will continue to be a core part of our work
- We aim to improve the registration process, providing clear guidance upfront and rejecting applications that don't meet requirements
- We are reviewing the information we ask of charities to make sure we provide information the public values
- We will review how we analyse and publish information we hold on charities to maximise the impact it has

Case study: The Karen Woo Foundation

Among the charities to join the Register this year was The Karen Woo Foundation, a grant-making charity supporting healthcare projects in Afghanistan. It was set up in memory of Karen Woo, a British doctor killed during a humanitarian mission to a remote region of Afghanistan in August 2010. The trustees applied to register the charity later that month.

"We received a stellar service from the Commission. Given the high level of publicity surrounding Karen's death it was important for the foundation to be registered as soon as possible, not least to optimise our fundraising. The Commission understood this and were able to turn around our application in just under 3 hours."

Jean Tsang, one of the charity's trustees and a friend of the late Dr Woo

Striking firm roots: helping charities get on with the job

Guidance

Most charities need support at some point in their development. Our published guidance helps trustees understand how the law applies to their charities and what they need to consider when making decisions. We continuously review our guidance to ensure it is up-to-date and fit for purpose.

Sometimes, trustees come to us for specific advice. Often we can refer them to our online guidance. A sample of 1000 calls to Charity Commission Direct[4] revealed that almost half were about the Annual Return, annual accounts, our online services, registration and updating entries on the Register. We are able to refer most callers on these issues to the website.

Focus on finance

Since the economic downturn, we have prioritised our work to review and update our financial guidance. The updated guidance places greater emphasis on the need for trustees to take a risk management approach to their charity's resources and finances.

In June 2010, we published a set of updated financial guidance, including guidance on risk management, dealing with financial difficulties and on reserves. The guidance explains the issues trustees need to take into account in the context of charity law and good practice. Our updated guidance on *Charities and Fundraising* details what trustees should consider when taking a risk-management approach to fundraising. We also consulted on changes to our guidance on *Charities and Investment* and will publish the revised guidance in summer 2011.

Supporting small charities

We are mindful that smaller charities often need more basic guidance to reach their full potential in the Big Society. This year, we created a new section of our website dedicated to their needs. The pages aim at helping smaller charities make the most of our services, and provide basic information on a broad range of topics, including starting a charity and finding trustees.

We have also developed guidance signposting smaller charities to the legal requirements and good practice recommendations they need to bear in mind when taking financial decisions. *Managing charity assets and resources: an overview for trustees* summarises our financial guidance and points trustees to detailed guidance available online.

We are committed to making our website user-friendly. A survey conducted this year revealed that most people find our website easy to use and that the majority of charities asked (84%) used our online guidance. This year, we achieved a 12% increase in the number of publications sent electronically or downloaded.

Responding to change

In September 2010, we published summary guidance on the charities exemption set out in the new Equality Act. Our guidance explains that charities may, but only in very particular circumstances, restrict the people they help according to a shared characteristic protected under the Act. We also updated our guidance on political activity and campaigning to include a section on *Charities and Referendums*.

In April 2011, the Charity Tribunal ruled against a charity's appeal against our decision not to allow it to restrict its adoption services to heterosexual prospective parents. The Tribunal agreed our approach - based on European law - that the charity had not provided sufficiently weighty reasons to justify the proposed discrimination. We recognise the sensitive nature of this issue and have considered all the evidence and arguments carefully. The charity has since

4 Sample taken in September 2010.

"giving charities the support they need to grow strong"

Case study: St Thomas Church Parkgate

"We realised that people in our local community needed a place to meet for activities such as concerts, exhibitions and talks. The Commission provided us with a legal scheme to widen our charity's objects, allowing us to open the church for wider community purposes, while keeping to our core religious purposes. The church building is now used regularly by local groups, helping to root the church at the heart of the community."

Reverend Neill Robb, Trustee of St Thomas Parkgate, Neston

Credit: Peter Coward

sought leave to appeal that decision and, at the time of writing, the Charity Tribunal is considering the request.

Consents and permissions

Sometimes, trustees come to us because they want to do something but don't have the legal power to, or because they wish to amend the charity's objects. We can help by providing the necessary authority.

We are developing online tools to help reduce the time we take to consider requests and to help save resources. This year, we introduced online forms for dissolving a charity, vesting land in the Official Custodian and recording a merger. This work, which saw us shortlisted in the 2010 Whitehall and Westminster and e-Government National Awards, helped reduce the post we receive by over 40% and the calls we take by 22% on 2009-10 levels. Increases in the proportions of charity advisers contacting us by email and of charities registering online were also important factors in reducing the volume of letters and calls.

Looking ahead:

- Providing clear guidance to help trustees meet their legal duties will continue to be a key priority. Where appropriate, we will tailor guidance to charities' diverse needs
- We will develop our partnerships with umbrella bodies so that they can take on responsibility for one-to-one advice
- We will focus on reducing red tape connected to permissions required in law, considering options such as self-certification

Bearing fruit: providing public benefit

Public benefit has always been at the heart of what it means to be a charity. Charities' ability to further the public good by helping their beneficiaries is among the reasons they receive high levels of public trust.

The Charities Act 2006 highlighted the requirement that charities must have aims which are for the public benefit. Following the 2006 Act, changes were made to the accounting and reporting framework for charities, requiring them to report on this in their Trustees' Annual Report.

People expect charities to demonstrate how they benefit the public – research published this year revealed that 94% of people asked think this is 'crucial'[5].

It is the Commission's responsibility to help raise awareness that charities should carry out their aims for the public benefit and that they should report on this to the public. One of the ways in which we have been doing that is by carrying out assessments into the public benefit provided by groups of individual charities.

This year, our assessments focused on arts charities and on sports and recreation charities. In July 2010, we published reports into assessments of four very different arts charities, all of which were able to demonstrate that they are charities pursuing their objects for the public benefit.

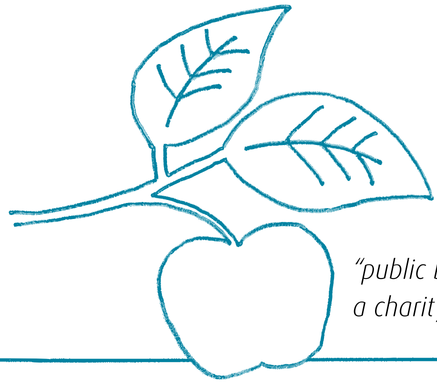
Case study: Royal Opera House Covent Garden Ltd

The charity's objects are to promote the advancement of education, to raise the artistic taste of the country and to increase appreciation and understanding of the musical art. Our assessment found that the charity provides public benefit by staging performances of art, developing artistic talent and offering public education. The charity offers extensive opportunities for people unable to afford high fees to benefit. These include reduced ticket prices for main stage events, free events, broadcasts via the BBC and matinees for schools.

Family event at the Royal Opera House. Credit: Sim Canetty-Clarke

"The assessment gave us the chance to show how much public benefit we generate. You can watch our shows at the cinema, free on TV or on our Big Screens. You can also take a backstage tour or catch backstage footage online. And we hope you can buy more tickets for large arena performances, like The Royal Ballet series held this year. Reaching an ever wider audience is core to what we do and we welcomed this occasion to put that on record."

Ruth Jarratt, Director of Policy Development, Royal Opera House



"public benefit reporting - a charity's moment in the sun"

In February, we published reports of our assessments into four recreation and leisure charities, all but one of which were found to be charities pursuing their objects for the public benefit. We are in touch with the charity that was found not to be operating in the public benefit and will be helping its trustees make the necessary changes.

We also published emerging findings from our public benefit assessments, to help trustees with their reporting. We found that, overall, there is a wide range of ways in which recreation and leisure charities and charities for the advancement of the arts can demonstrate their public benefit. We also found that many fee-charging charities are innovative in their approach to providing public benefit for those unable to afford the fees without increasing the fees they charge to other beneficiaries. Providing free or subsidised access is only one of the ways in which they do this. The report also stressed that membership charities need to be able to demonstrate that their membership is open to a broad range of people.

Overall, we concluded that the sector's reputation and strength can be enhanced by trustees continuing to communicate the work their charities do to promote the public benefit.

This year saw the first use of the power, conferred by the Charities Act 2006, to bring references in the First-tier (Charity) Tribunal. It allows the Attorney General (AG) or the Commission with the AG's consent, to ask the Tribunal to determine and clarify charity law.

Two references were made by the AG. The first relates to the Commission's public benefit guidance on fee-charging charitable independent schools. The second, brought at our request, relates to charities established for the relief of poverty in favour of a restricted private class. The Commission is a party to these references, taking a full part in the proceedings.

At the time of writing, we await the outcome of the combined hearing in May of a judicial review of our public benefit guidance and the reference by the AG in the Upper Tribunal in relation to charitable independent schools. As a public body we are subject to legal challenge as to the way we carry out our responsibilities. We accept this and welcome any clarification of the law which may result. In preparing our public benefit guidance, we have been diligent in consulting charities and others affected, and in making the legal framework and the process we followed clear. A decision is expected in summer 2011.

Looking ahead:

- We will publish the findings of independent research into the way in which charities are reporting on the public benefit they provide in their Trustees' Annual Report
- We will review our public benefit guidance in light of these findings, other experience and guidance from the Tribunal
- Consideration of public benefit will continue as a routine part of our registration process
- We will continue to assess the public benefit provided by individual charities where concerns are raised with us
- We will provide a new interactive tool to provide trustees with guidance on public benefit tailored to their particular charity

5 Research into public trust and confidence in charities conducted by Ipsos MORI and published in July 2010.

Weeding out difficulties: tackling serious problems in charities

Helping charities back on track

Most trustees work tirelessly to ensure their charities are effectively managed and protected against harm or abuse. It is comparatively rare for charities to experience problems serious enough to prompt an investigation by the Commission.

But, like all organisations, charities are vulnerable to abuse, and problems requiring our input can and do occur. Usually, such situations arise because trustees have failed to put proper systems of governance and control in place.

We step in where we have serious cause for concern that a charity's beneficiaries, assets or reputation are at risk. Public opinion research carried out during our strategic review confirmed that people see this role as one of the most important areas of our work[6], as do charities.

Our approach to this work focuses on helping trustees get their charities back on a legal footing. To avoid duplication and make our impact as effective as possible, we take a multi-agency approach where necessary. This year, we agreed six new Memoranda of Understanding with other agencies[7], which will see us exchanging information about our respective work where relevant.

Most issues in charities are dealt with by our Assessment Unit, which closed over 1,900 cases this year. In the most serious cases, we can open an investigation. The ultimate aim of an investigation is to find out whether there has been any wrongdoing and, where necessary, to take action to protect charity property and assist trustees to put their charity back on a secure footing.

During 2010-11, we closed investigations into 167 charities, which represents less than 0.1% of charities on the Register. Nine of these investigations were Statutory Inquiries – the most serious type of investigation that enables us to exercise our powers under the Charities Act to deal with misconduct or mismanagement or to protect charity property. In the course of these investigations, we exercised these powers on 208 occasions. We also made 21 compliance visits to charities. The total income of the charities involved in investigations closed this year comes to over £900m.

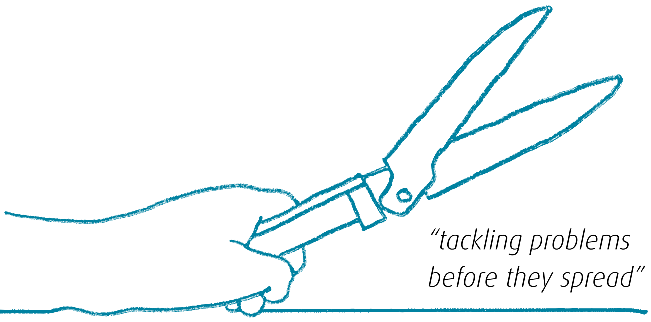
Among the most frequent areas of concern leading to investigations are issues around trusteeship. These include situations in which dominant trustees exert undue control over a charity, or in which boards appoint people who are ineligible or unsuitable to serve as trustees. Such issues featured in 44% of investigations closed this year.

As in previous years, issues around the protection of vulnerable beneficiaries also featured heavily in our compliance work in 2010-11. Around a third of investigations closed this year involved cases in which trustees had failed to demonstrate that they had systems in place to protect children or vulnerable adults. Other problems to feature frequently this year include fraud allegations, accounting issues, conflicts of interest, failures to comply with a charity's governing documents and disputes.

"Ensuring compliance with legal obligations was seen [...] as absolutely key for the Commission."

Ipsos MORI report into public perceptions of the Charity Commission, December 2010

6 Focus group research published by Ipsos MORI in December 2010 as part of the Commission's strategy review.
7 The other agencies with which we have agreed Memoranda of Understanding this year are: Department for Environment, Food and Rural Affairs, Department of Culture, Media and Sports, Electoral Commission, Higher Education Funding Council for England, Higher Education Funding Council for Wales, Land Registry.



"tackling problems before they spread"

Protecting charities from harm

We also publish advice and guidance to help trustees prevent serious problems from arising in their charities in the first place.

We have completed our toolkit for trustees, *Protecting Charities from Harm*, by publishing three additional chapters. The toolkit is a practical guide providing trustees with the tools they need to manage risks and protect their charities' property from harm and abuse. Chapter 2, *Due diligence, monitoring and verification of the end use of funds*, explains what trustees need to do to make sure their charity's funds are used properly and go to the causes for which they were intended. Chapter 3, on *Fraud and Financial Crime* highlights the types of fraud and financial crime that charities are vulnerable to, and provides practical advice on how to tackle them. The fourth and final chapter, *Holding, Transferring and Receiving Funds Safely*, provides guidance on trustees' legal duties and responsibilities in respect of holding, transferring and receiving funds safely, especially in an international context[8].

We also published updated guidance on *Statutory Inquiries* and *Regulatory Compliance casework*. The revised guidance aims to help trustees better understand what it means when we conduct investigations into charities.

Our updated guidance on *Reporting Serious Incidents*, meanwhile, introduced a more proportionate approach, which allows trustees greater discretion in deciding whether to report low value fraud and theft.

Looking ahead:

- We will adjust our risk framework to focus our actions on individual interventions where there is serious risk and where our involvement can have most impact
- Our work will continue to focus on getting charities back on track
- We will retain a capacity for formal investigations

Investigation case study: Independence South West, a day care and respite centre for severely disabled adults

We opened the investigation after being informed that the chair of the charity was being investigated in connection with alleged fraud against a public body. (In the event, she accepted a police caution and no charges were brought against her.)

The Commission's investigation found that the chair received unauthorised trustee payments as the CEO of the charity, and that the charity's vulnerable beneficiaries had been put at risk of harm due to poor management, lack of staff training and inadequate safeguarding procedures. During the Commission's investigation, the chair resigned from the board of trustees and as CEO. The charity has since elected new trustees and a new chair of the board. It has also received an improved rating by the Care Quality Commission.

8 Published during the financial year 2011-12.

Maintaining fertile ground: promoting good practice

Charities work at the heart of society and rely on public support to achieve their aims and make a difference. We have a statutory objective to increase public trust and confidence in charities and all our activities aim at contributing to an environment in which charities can flourish.

Increasing trust and confidence in charities

We regularly commission public opinion research to gauge levels of trust and confidence in charities and to examine what drives that trust.

This year's research, conducted by Ipsos MORI and published in July 2010, suggests people place increasing emphasis on sound financial management in charities. The single most important factor contributing to people's trust in charities is 'ensuring a reasonable proportion of income reaches the end cause'. This has changed since the survey was last conducted in 2008, when charities' ability to make a difference to the causes they work for was the most important factor.

We are therefore encouraging charities to explain their spending decisions to donors and to ensure they are open and accountable to the public – not least by filing documents on time. The research also revealed that charities remain among the most trusted groups in society, achieving an average score of 6.6 out of 10. That places them third only after doctors and the police.

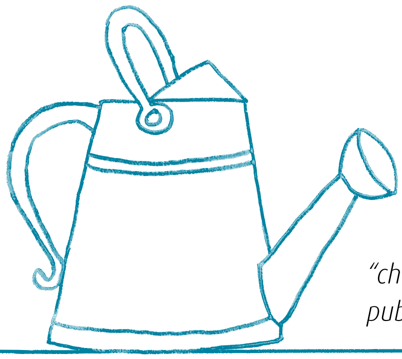
Research

We publish research reports into a wide range of issues, trends and developments affecting charities. Their purpose is to strengthen charities' accountability by assessing how far they are aware of and are following best practice. Our research also aims at helping charities make effective use of their resources.

This year, we published research into young people's attitudes towards and experiences of trusteeship. The report - *A Breath of Fresh Air: young people as charity trustees* - found that many charities are missing out on the skills and fresh perspective young people can bring to a board.

"A functioning board of trustees needs members with a wealth of experience from different backgrounds; encouraging younger people onto boards is one way to ensure this happens. This is especially important for charities that have a youth focus, but it's not exclusive. The Charity Commission's checklist helps charities thinking about including young people on their board make the first step."

Sean O'Halloran, 18
Chair, Young Advisors



"charities thrive on public trust and confidence"

We used the findings to develop a checklist on finding and supporting young trustees to help charities identify the issues to consider when recruiting young people to their board and to help them support young trustees once they are appointed.

We also published research into patterns of collaboration among smaller charities ('*Strength in numbers – small charities' experience of working together*'). The research found that most charities with recent experience of collaboration (82%) say it was successful. It found that barriers to collaboration included charities not having identified an appropriate partner or not having been approached by another charity.

We are urging trustees to be proactive in seeking out other organisations they might be able to work with, rather than waiting for another charity to make the first move.

Promoting excellence

Upholding independence

Independence is among the most important characteristics of charities and it is part of our role to help charities develop and maintain independent decision-making processes. This year, we worked with charities and the team behind the Public Bodies Bill to help ensure the Bill upholds charities' independence in deciding whether or not to take on public functions.

Celebrating trusteeship

We joined a number of other organisations (Charity Trustee Networks, the National Council for Voluntary Organisations, Reach Volunteering, Getting on Board and the ICAEW) to launch the first annual Trustees' Week in October 2010.

The initiative celebrated the work of trustees and aimed to increase awareness and understanding of the role. It inspired over 30 events across the country, generated 21,000 page views of the Trustees' Week website, and led to an Early Day Motion signed by 40 MPs. It was also shortlisted for a PR Award.

Supporting charity regulation worldwide

This year, the Commission's International Programme, which is funded entirely by external grants[9], established regional teams specialising in NGO regulation throughout Pakistan. These teams will help develop an effective NGO regulation system and train new staff. The Programme also facilitated a review of NGO regulation in Indonesia, and will be supporting the Indonesian Government to improve its regulatory environment through a Canadian-sponsored project.

The Programme has also been working with the UN to raise awareness of the importance of NGO regulation, developing a series of international workshops.

Helping prevent fraud against charities

Our work to promote public trust in charities includes raising awareness of scams or fraudulent activity associated with charities or charitable giving.

Like all organisations, charities are at risk. The National Fraud Authority's Annual Fraud Indicator 2011 estimated that charities lose on average 2.4% of their annual income to fraud.

This year we issued safer giving alerts around major faith festivals to remind givers to ensure they donate to registered charities. We also issued warnings about bogus clothing collections and helped raise awareness of an attempted fraud following the Japan earthquake. Our alerts aim at encouraging safer giving, rather than discouraging people from giving.

9 For more information about the International Programme, please go to our website.

Completing the charity life cycle: coming off the Register

"making for a constantly evolving charity landscape"

Over the course of a few years, a similar number of charities come off the Register as join it. This year, slightly more charities came off the Register - around 8,600.

This resulted from our ongoing work to remove charities that are no longer active. We have also been speaking to trustees whose charities have fallen below the £5,000 registration threshold about coming off the Register. This year, around 300 charities asked to be taken off the Register for that reason. Sometimes, charities wind up because they've achieved what they were set up for or because there is no longer a need for their services. However, some charities fold because they can no longer secure funding or support. Trustees of charities that are closing should notify us via our online Manage Your Charity service. Our guidance explains how trustees should apply outstanding assets such as land.

Often, charities decide to join forces with one or more other charities. It is not our role to push charities to merge and we recognise the value of a diverse charity landscape. But we support charities that have decided to merge by providing constitutional and legal help; some mergers require our consent. We also provide online guidance on collaboration and mergers. We can't say exactly how many charities merge, as we don't have to be involved in all cases. But we know that many charities take this route, and, since 2009, our mergers team has seen a 150% increase in the more complex cases it deals with.

Merger case study: The Shooting Star Children's Hospice and CHASE Hospice Care for Children become Shooting Star CHASE

The two charities, which provide hospice care for children and teenagers in western London, Surrey and West Sussex, approached us for help with their plans to merge.

We provided advice on the merger process and gave the legal authority needed to bring the two charities together. We also helped in the transfer of assets, saving the charities considerable legal fees. The new charity, Shooting Star CHASE, launched on 1 April 2011.

"By coming together, we are able to develop our commitment to the families we support. The merger has enabled our charity to become more responsive, more flexible and more sustainable. We have done a lot of detailed work to get where we are and the Charity Commission has been a great help in supporting us through the process."

David King, CEO of Shooting Star CHASE

Our finances: an overview

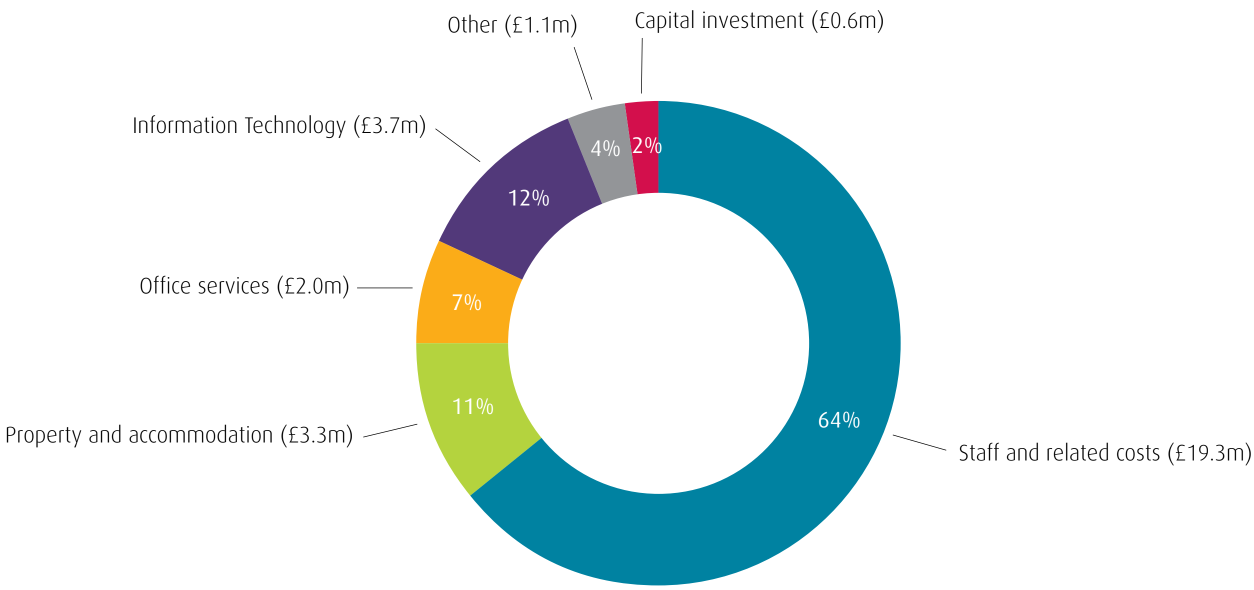
We are funded by the Government, and in the financial year 2010-11 spent a total of £29.4m on our operating activities and £0.6m on capital investment.

Summary of our financial performance

This year has been challenging. Our core funding reduced by 3% compared to 2009-10 and access to our reserves was withdrawn – in 2009-10, we used £1.3m of our reserves to support expenditure. To balance our books, we have made savings of 25% on our non-pay expenditure compared to 2009-10 and reduced our pay costs by £0.5m by implementing a recruitment freeze.

The chart below shows how we spent these funds.

Breakdown of our expenditure



Find out more

Further details of our funding and expenditure are included in the Resource Accounts section of this Report.

Part two: Our performance in 2010-11

Background

The Charity Commission is established by law as the regulator and registrar of charities in England and Wales and operates under Schedule 1A of the Charities Act 1993. The Commission is a non-Ministerial Government Department. The chief executive is the Commission's Accounting Officer.

Governance responsibilities for strategy and the future direction of the Commission, including the allocation of resources at a strategic level, rest with the Board. Decisions of the Commission are independent from Ministerial direction or influence, although they are open to challenge in the High Court and the Charity Tribunal. Information about the Board and Executive Directors is available in the Resource Accounts.

As at 31 March 2011, there were just under 180,000 registered charities listed on the Commission's Register of Charities. Of these, 161,700 were either main or group charities and the remainder were either subsidiaries or branches of main charities. In 2010-11, the gross annual income of all registered main and group charities was over £55 billion. There are 1,772 charities with incomes over £5 million on the register, accounting for just under 68% of the sector's total income.

Charity Commission's aim

Our aim is to provide the best possible regulation of charities in England and Wales in order to increase charities' efficiency and effectiveness and promote public confidence and trust in the sector.

Strategic priorities

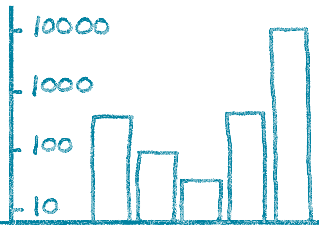
We undertook a fundamental Strategic Review in 2005. This resulted in an amended vision, mission and values. These are summarised in the publication *Charity working at the heart of society – the way forward 2005–2008*. To reflect this change in strategy, a revised set of Strategic Objectives was agreed with HM Treasury. A revised Strategic Plan, issued in August 2008, builds on the work carried out during the Strategic Review, adjusts our plans for the outcome of the funding settlement achieved in the 2007 Comprehensive Spending Review and reflects our Strategic Priorities for 2008-11. A copy of our Strategic Plan for 2008–11 is available on our website.

For 2008-11, we were committed to achieving the following key strategic priorities:

- continuing our commitment to modern, risk based regulation
- delivering organisational change and valuing our people
- independent, objective decision making and leadership
- driving the accountability of charities to the public
- delivering faster, more efficient services to our customers, and
- completing implementation of the Charities Act 2006.

Delivering against these priorities has enabled the Commission to achieve the five statutory objectives set out in the Charities Act 2006.

At the time of writing, we are in the process of developing a strategic plan to cover the period 2011-2015. The plan will be made publicly available in due course.



Statutory objectives

The Commission's statutory objectives are:

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

The Corporate Plan for 2008-11 reflects these statutory objectives. Our Key Performance Indicators are aligned with the statutory objectives as shown below:

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

Our performance in 2010-11

Review of operational performance

Achievement of the Commission's strategic objectives is measured by reporting on performance against six Key Performance Indicators (KPIs) which have been agreed with HM Treasury.

Each of the six top-level KPIs is measured via a number of different targets covering the range of our work. Not all of these KPIs have annual targets and some will provide cumulative results over a period of years. We publicly report in-year progress against our KPIs on a bi-monthly basis to each open meeting of the Board. Our performance against KPIs for the financial year is set out in our Annual Report to Parliament.

Achievement of our key performance indicators

We have six top-level KPIs, each of which is measured via a number of different targets covering the range of our work. Not all of these KPIs have annual targets and some will provide cumulative results over a period of years.

The results below show that we met all six KPIs in 2010/11.

KPI 1 - Improve the level of public trust and confidence in charities

	Target	Achievement
Overall level of public trust and confidence in charities (survey carried out independently for us every two years)	To continuously improve ratings over 2005 baseline (63% in 2005)	66%
Stakeholder survey of the Commission's effectiveness as the charity sector's regulator (survey carried out independently for us every two years)	To continuously improve ratings over 2004 baseline (63.1% in 2006, 49.3% in 2004)	68.3% (in 2008)
20 key operational targets met	75%	80%
Trust and confidence in charities compared with other organisations and professions (every two years)	Charities ranked in top half of sample of organisations and professions	Charities ranked 3rd of 11

KPI 2 - Achieve standards of service delivery and effectiveness acceptable to our customers, whilst increasing use of our online services annually

	Target	Achievement
Percentage of customers in surveys across operational areas who said we do a very good job	70%	71%
Average rating of individuals or charities at first point of contact, Charity Commission Direct, who said we provided the service they required	70%	84%
Increase in take-up of Commission's online services	4% increase on previous year	9% increase on previous year
Increase in our publications sent out electronically or directly downloaded	4% increase on previous year	12% increase on previous year
Average time taken to deal substantively with letters (all Commission)	15 days	9 days
Time taken to deal substantively with emails (all Commission)	80% within 5 days	70% within 5 days (73% in 2009/10)

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

	Target	Achievement 2010/11
Annual survey of the accuracy of the register of charities	97.5%	100%
Proportion of charities for which the most recent due accounts and annual returns are held	92%	Accounts – 94% Returns - 94%
Proportion of the sector's total income for which the most recent due accounts and annual returns are held	98%	Accounts – 99% Returns - 98%
Proportion of charities filing accounts and annual returns within the 10-month legal deadline	77% (76% in 09/10)	Accounts – 86% Returns - 84%
Proportion of the sector's total income for which accounts and annual returns have been filed within the 10-month legal deadline	90%	Accounts – 96% Returns – 95%
Proportion of charities with annual income of over £1 million for which the most recent due summary information returns are held (within 10 month deadline)	77% (76% in 09/10)	80.8%

Our performance in 2010-11

KPI 4 – Improve the efficiency and effectiveness of investigations and related regulatory work into charities by improving detection, investigation and prevention and with clear reported outcomes

Our KPI 4 relates to our investigations and related regulatory work. It is divided into three areas:

- Detection
- Investigation, Sanction and Redress
- Prevention and Deterrence

We have two targets in each area and achieved both targets in the investigation area, and achieved one and narrowly missed one in the other two areas. Under the convention we use for individual targets: Success (Green) = 100%; Near Miss (usually within 10% of target) (Amber) = 50%, and Failure (Red) = 0%, we have achieved an 83% success rate for the combined ratings (equates to a score of 500 out of 600). Performance of 75% equates to the minimum standard we set for a Green rating for a KPI.

Detection

	Target	Achievement
4a Complete 90% of compliance assessments correctly in 30 working days	90%	86%
4b Carry out a minimum of 20 compliance visits annually to charities which are subject to monitoring and identified following a risk assessment	20	21

Investigation, Sanction and Redress

	Target	Achievement
4c Complete all regulatory compliance cases (excluding statutory inquiries) within an average of six months	183 days	172 days
4d Ensure 90% of all investigations result in at least one of the specified beneficial impacts (see opposite*) which protect charities from mismanagement, misconduct or abuse	90%	94%

Prevention and Deterrence

	Target	Achievement
4e Publish 90% of reports on the results of investigations within three months of the end of the substantive investigation process	90%	81%
4f Publish an annual report on the 'Themes and Lessons from the Charity Commission's Compliance Work' which includes the duration of each statutory inquiry, the impact of investigations, the use of sanctions (including legal powers of remedy and protection), and the operation of our compliance work	Publish report before end of third quarter of financial year	Published 22 September 2010

* Beneficial impacts:

- charity assets protected and/or recovered
- vulnerable beneficiaries protected
- reputation protected (charity/ charity sector)
- disputes resolved
- charity governance restored to proper standard
- conflicts of interest resolved
- fundraising concerns resolved
- charity no longer operating or applying funds outside its trusts
- useful and effective advice and guidance given
- charity is now complying with legal requirements
- greater transparency achieved in the charity's operations and published reports and accounts
- moribund charity now functioning
- charity's relationships with third parties is now properly managed in the best interests of the charity
- direct charitable expenditure has increased or targets are in place to increase this expenditure

Our performance in 2010-11

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

	Achievement
Income of charities having substantive engagement with us during the year	£27.1 billion (up from £26.6 bn in 2009/10)

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

Targets for this KPI are made up of milestones and product delivery as the programme progresses, and are the subject of regular reports to the Board. This is a medium term programme and there is no requirement for completion in-year, but substantial progress is expected. Of our five targets for 2010/11, all have been met. This gives an overall rating of Green.

Activity	Achievement
1. Publish a research report examining the reporting of public benefit in trustees' annual reports	Research completed
2. Completion of assessments focusing on arts charities	Published July 2010
3. Publish a last phase of assessments focusing on recreational and leisure charities	Published February 2011
4. Follow up work with charities which did not meet the requirement in the first phase of assessments	Completed
5. Develop an on-line interactive tool to help trustees identify guidance relevant to the aims of their charity	In progress

Complaints about the Commission's service

In 2010-11, the Commission considered 59 complaints about its services. The majority of these (49) related to service user dissatisfaction about the outcome of one of the Commission's operational cases. A small number (10) related to the standard of service delivered by the Commission, for example, complaints about delay, bias or other case-handling issues.

	2009-10	2010-11
Overall number of complaints	32	59
Complaints about standard of service	10	10
Of these:		
Complaints where at least one element of complaint was fully upheld	2 (20%)	3 (30%)
Complaints where at least one element of complaint was partially upheld	5 (50%)	1 (10%)
Complaints where no elements were upheld	3 (30%)	6 (60%)
Complaints about operational outcomes	22	49
Of these:		
Complaints where at least one outcome was fully overturned	6 (27%)	6 (12%)
Complaints where at least one outcome was partially overturned	6 (27%)	2 (4%)
Complaints where no outcomes were overturned	10 (46%)	41 (84%)

No complaints about the Commission were examined by the Parliamentary Ombudsman in 2010-11 or in the preceding year.

Our staff

Staffing and recruitment

We implemented a recruitment freeze from 1 April 2010 and no external recruitment has been initiated since that date. There were four appointments at the beginning of the year relating to recruitment campaigns run in 2009-10. All new appointments were on fixed-term contracts, including that of the chief executive. The number of permanent employees reduced as planned by 30 from 444 at 1 April 2010 to 414 at 31 March 2011.

Equality and diversity

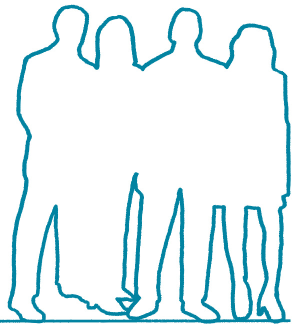
The Commission is committed to equality and diversity. In 2010-11, we incorporated our equality and diversity policy into a Single Equality Scheme and we continued to embed equality and diversity into all of our work. Our diversity vision is to "act inclusively, upholding equality law, treating everyone fairly and seeking to provide and promote a culture which delivers the best outcomes for the diverse society in which and for whom we work". We are creating an ethos throughout the Commission in which we respond to the needs of our colleagues and customers, where diversity is truly valued and where everyone is treated with dignity and respect.

The Commission has appointed a Board Member, John Wood, to act as Diversity Champion. He attends the quarterly meetings of the Diversity Steering Group, which is chaired by the chief executive and includes wide representation from across the business. Our employment policies incorporate relevant employment law and best practice to ensure the organisation does not discriminate against anyone who works for it or comes into contact with the Commission. We monitor our workforce against diversity targets covering ethnicity, gender, disability, sexual orientation, religion and belief. Training on diversity has been provided to all staff.

The Commission adheres to the Civil Service Code of Practice on the Employment of Disabled People. The Code ensures that the Commission does not discriminate on grounds of disability. Access to employment, training and career development and advancement is based solely on competence required for the job and individual ability. This is reflected in the proportion of Commission staff with a declared disability, which, at 13.4%, is nearly twice the Civil Service average. We also participate in the "two ticks" guaranteed interview scheme for job applicants with a disability, and have a Disability Forum for the benefit and support of staff.

Employee relations and involvement

The Commission is committed to open communication and maintaining effective employee relations, both directly between line managers and their staff, and indirectly between management and the trade unions (Public and Commercial Services Union, First Division Association and Prospect). Staff engagement is vital to the Commission's success and senior management promotes a spirit of co-operation and partnership between all concerned, in the interests of productivity, efficiency and the well-being of all Commission staff. This means recognising the responsibilities of managers to manage, the need for good communications with staff and their representatives, and timely consultation and where appropriate, negotiation, on issues affecting staff and their conditions of service. It also means running regular staff surveys and taking action on the results. In 2010, we took part in the Civil Service People Survey, and we are using the results to help us prioritise action to maintain staff engagement.



Communications this year have focused primarily on the impact of reduced funding for the next Spending Review period 2011-15. The Commission is undertaking a strategic review to determine how best to carry out its functions within reduced levels of funding and has actively involved staff through a comprehensive internal consultation process.

Staff development

This year we continued to prioritise development of the quality of leadership and management needed at all levels of the Commission. We have also worked on raising expertise in the organisation through measurable learning and development and improving productivity and effectiveness.

A range of formal development activities have been delivered to improve technical, management and individual skills. All training events have been evaluated to demonstrate return on investment with an aggregate score for all courses giving an average satisfaction rating of 96%.

In preparation for the need to reduce employee numbers in the next Spending Review period, we also developed and delivered a comprehensive programme of career transition support workshops.

Sickness absence

The Commission is committed to managing and reducing absence levels and uses a wide range of initiatives. These include access to occupational health professionals, flexible working opportunities and health promotion events. In 2010-11, an average of 8.3 working days was lost due to sickness absence (7.5 days in 2009-10).

Social and community issues

The Commission actively encourages staff to get involved in social and community issues, in particular volunteering with the not for profit sector, and offers some paid time off to do so.

Sustainability report

The Charity Commission is committed to sustainable development and reducing the impact of its activities on the environment. This will be 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. These are known as SOGE targets (Sustainable Operations on the Government Estate). Our performance against each of the three SOGE targets is set out below.

Some of the performance measures require historical data that was not collected at the time. Wherever possible, we have reviewed our records to compile this data. Where our records are incomplete, we have made reasonable estimates based on the information available. Where data is not available for the baseline year against which reductions are assessed, it has been extracted from the nearest year from which data can be estimated reliably.

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 as a result of staff travel on public transport and emissions resulting from work done on the Commission's behalf by its suppliers.

SOGE target	Commission performance	Target achieved
Reduce carbon emissions by 12.5% by 2010-11 compared to 2006-07 levels	Scopes 1 and 2 – 32% reduction achieved (Note 1)	Yes
	Scope 3 – 55% reduction achieved since 2003-04 (Note 2)	Yes
Reduce carbon emissions by 30% by 2020-21 compared to 2006-07 levels	Current performance shows that we are expected to achieve this target but we will need to sustain 2010-11 performance levels for the next ten years	Not yet applicable

Note 1: For Scopes 1 and 2, data is only available for our Liverpool and Taunton offices. Data is unavailable for our London and Newport offices as these services are provided by the landlord and recharged to the Commission as part of the service charge.

Note 2: Scope 3 covers all types of travel undertaken by Commission staff and the use of couriers.

Water consumption

SOGE target	Commission performance	Target achieved
Reduce water consumption by 25% by 2020 compared to 2004-05 levels	The earliest year for which data is available is 2006-07. Since that year, our water consumption has reduced by 49% Consumption has decreased as we have reduced the size of our offices	Yes

Waste

SOGE target	Commission performance	Target achieved
Reduce waste sent to landfill by 5% by 2010-11 compared to 2004-05 levels	The earliest year for which data is available is 2008-09. In that year, we had exceptionally high levels of waste sent to landfill as we disposed of a number of items following one office move and another office restructure. However, compared to both 2008-09 and 2009-10 levels, in 2010-11 the waste sent to landfill reduced by significantly more than 5%	Yes
Increase waste recycled by 40% by 2010-11 compared to 2004-05 levels	The earliest year for which data is available is 2008-09. Since that year, we have increased our recycling levels by 46%	Not yet applicable

Sustainability Report

Other actions taken to promote sustainability

The Commission implements sustainable procurement, following Office of Government Commerce (OGC) best practices, which means only purchasing goods and services that are really needed and buying items whose production, use and disposal minimise negative impacts on the environment and society.

We have taken advantage of lease expiry/breaks to reduce our occupied space in the London and Liverpool offices and introduced flexible working arrangements supported by hot desking. We have created an area of vacant space in the Taunton office which we are currently looking to sublet and have introduced light sensors in both our Taunton and Liverpool offices to reduce unnecessary power consumption.

New video conferencing equipment has been installed across all sites and all staff are encouraged to use this whenever possible. Where travel is essential, the use of public transport is encouraged.

We have implemented several requirements of the Greening Government ICT Report including actions such as:

- reducing the length of time screen savers are used;
- shutting down PCs after office hours;
- introducing organically grown toners in our new printers;
- extending equipment replacement cycles and using virtualisation to reduce the amount of equipment we use; and
- using a carbon neutral company to host/support our website.

Part Three: Resource Accounts

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Resource Accounts

Management commentary

This Management commentary is prepared and published as part of the Charity Commission's (the Commission's) Resource Accounts for 2010-11, as required by the Financial Reporting Manual (FReM) produced by HM Treasury.

Governance arrangements

Our governance structures and processes are described in the paragraphs below.

Role and composition of the Board

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

Responsibility for strategy and the direction of the Commission, including the allocation of resources at a strategic level, rests with the Board. The Board comprises the Chair and up to eight other Board members. The Board Members are appointed to bring a range of knowledge and experience to the Commission. This includes knowledge of charity law, accounting and financing of charities and the operation and regulation of charities of different sizes and descriptions. Two appointed members are required to be legally qualified and one member is appointed for their knowledge of conditions in Wales.

Decisions of the Commission are independent from Ministerial direction or influence, although they are open to challenge in the High Court and the Charity Tribunal.

Members of Board

During 2010-11, the Board comprised:

Chair	Dame Suzi Leather DBE DL
Member (Wales)	Simon Jones
Member	Sharmila Nebhrajani
Member	Dr Andrew Purkis OBE (until 15 October 2010)
Member	Theo Sowa CBE
Member (Legal)	Simon Wethered
Member (Legal)	John Wood
Member	John Knight CBE
Member	Irene Khan (until 6 March 2011)

Members of the Board are appointed by open competition for three year fixed-term appointments, with the option of extension or reappointment. During the year, this option was exercised for the following Board Members:

Member	Date of reappointment	Length of new appointment
Simon Jones	15 July 2010	Three years
Sharmila Nebhrajani	15 July 2010	Two years
Dr Andrew Purkis OBE	15 July 2010	Three months
Theo Sowa CBE	15 July 2010	Three years
Simon Wethered	15 July 2010	Two years
John Wood	1 February 2011	Three years

Committees of the Board

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

Audit Committee

The Audit Committee is an appointed Committee of the Board. It supports the Board, and the Chief Executive as Accounting Officer, in ensuring the adequacy of risk management, internal controls, efficient and effective use of public funds and financial governance arrangements within the Commission.

During 2010-11, the Audit Committee comprised:

Committee Chair	Sharmila Nebhrajani (Board Member)
Committee Member	Simon Jones (Board Member)
Committee Member	Christopher Daws (Independent Non Executive Member)

Christopher Daws was appointed in August 2009 following an open competition, replacing David Taylor.

The functions of the Audit Committee follow the recommendations of HM Treasury's Audit Committee Handbook. Its role includes responsibility for reviewing:

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

- assurances relating to the corporate governance requirements of the Commission including the Internal Audit Annual Report and the opinion on the adequacy of the Commission's internal control systems;
- matters relating to the appointment of internal auditors;
- review of financial data insofar as it provides assurance over the Commission's internal control framework; and
- the terms of reference for internal audit and the arrangements for co-operation between internal and external audit.

The Committee met on three occasions in 2010-11 in pursuance of these duties.

Executive Directors

Corporate decision making that affects the day-to-day operation of the Commission is delegated to the Chief Executive and the Directors' Group, which comprises the Chief Executive and the Executive Directors.

Throughout 2010-11 and as at 31 March 2011 (unless otherwise stated), the Directors' Group comprised:

Chief Executive	Andrew Hind (until 4 October 2010)
Chief Executive	Sam Younger CBE (from 1 September 2010)

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

Andrew Hind was appointed via open competition for a period of four years commencing on 4th October 2004. This contract was extended by two years to 4th October 2010. An open competition to appoint a successor to Andrew Hind resulted in the appointment for three years of Sam Younger from 1 September 2010.

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

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

Register of Interests

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

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

The Register of Interests, listing the involvement of Board and Audit Committee Members and Directors with charities both current and past, is open to the public and is published on our website.

Code of Good Practice in Corporate Governance

The Commission's current Governance Framework was adopted by the Board in February 2007 and can be found on our website. The Framework complies with key aspects of the guidance produced by HM Treasury in *Corporate governance in central government departments: Code of good practice*. In particular, the Framework sets out the:

- roles of the Chair and Chief Executive;
- relationship and interface between the Board and Executive Team, including delegation of responsibilities;
- registration and declaration of interests; and
- principles and behaviours, including the requirement to adhere to the principles set by the Nolan Committee on Standards in Public Life.

Payment of suppliers

The Commission is committed to the CBI's Better Payment Practice Code and aims to pay all undisputed invoices within 10 days of the later of receipt of goods and services and receipt of the invoice. During the year, the percentage of invoices paid within 10 days was 80% (83% in 2009-10).

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 audit services were received aside. The cost of audit work was £57,600, (£58,800 for 2009-10, with an additional fee of £6,000 for audit work on the transition to International Financial Reporting Standards). In addition, a notional fee of £1,800 was charged in 2010-11 for the audit of the Official Custodian of Charities' 2010-11 Financial Statements (£nil in 2009-10), the cost of which is met by the Commission. No payments were made to the NAO in 2010-11 for non-audit work undertaken (£nil in 2009-10).

So far as the Accounting Officer is aware, there is no relevant audit information of which the NAO are unaware. The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the NAO are aware of that information. "Relevant audit information" means information needed by the NAO to prepare their audit report.

Resource Accounts

Reporting of protected personal data related incidents

In line with Cabinet Office requirements, we report on personal data related incidents and information risk management. The following tables set out:

- a summary of protected personal data related incidents formally reported to the Information Commissioner's Office in the financial year (Table 1);
- centrally recorded protected personal data related incidents not formally reported to the Information Commissioner's Office in the financial year (Table 2); and
- protected personal data related incidents in previous financial years (Table 3).

Table 1: Summary of protected personal data related incidents formally reported to the Information Commissioner's Office in 2010-11				
Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
No incidents to report				
Further action on information risk	None			

Table 2: Summary of other protected personal data related incidents in 2010-11		
Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office but recorded centrally within the Department are set out below. Small, localised incidents are not recorded centrally and are not cited in these figures.		
Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	0
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	0
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	1
IV	Unauthorised disclosure	5
V	Other	5

Table 3: Year-on-year total numbers of protected personal data related incidents prior to 2010-11													
Total number of protected personal data related incidents formally reported to the Information Commissioner's Office, by category number							Total number of other protected personal data related incidents, by category number						
	I	II	III	IV	V	Total		I	II	III	IV	V	Total
2009-10	-	-	-	-	-	-	2009-10	-	-	-	2	3	5
2008-09	-	-	-	-	-	-	2008-09	-	-	1	1	-	2
2007-08	-	-	-	-	-	-	2007-08	-	-	-	-	-	-
2006-07	-	-	-	-	-	-	2006-07	-	-	-	-	-	-
2005-06	-	-	-	-	-	-	2005-06	-	-	-	-	-	-

The number of personal data related incidents has risen as more incidents are reported by staff following the implementation of a new incident reporting procedure and ongoing training. All protected personal data related incidents are reviewed and procedures are amended where necessary to prevent a recurrence.

Progress against actions in the Coalition's Programme for Government

In May 2010, the newly elected Coalition Government announced an urgent review of Government expenditure. A number of major projects were reviewed and many Departments were given reduced Delegated Expenditure Limits (DEL) for the year 2010-11. The Commission was not required to reduce its DEL and it did not have any major projects that were subject to review.

In July 2010, the Coalition Government also introduced a number of actions that all Departments are required to implement. These include a recruitment freeze and controls over specified areas of expenditure. The Commission had already taken steps in many of these areas in order to deliver a balanced budget. To restrain and reduce our payroll costs, we introduced a recruitment freeze for all non-temporary staff and there has been no new external recruitment initiated since 1 April 2010. We have reduced the number of temporary staff from seven as at 1 April 2010 to two by 31 March 2011 and implemented a freeze on the engagement of agency staff. To reduce our administration costs, we have made use of centrally negotiated procurement contracts wherever possible and have been seeking to reduce accommodation costs by actively pursuing sub-letting of surplus office space.

Revised internal approval procedures have been introduced in the areas of consultancy, publicity and advertising expenditure. Any new expenditure on consultants over £20,000 and any expenditure on publicity and advertising activity requires prior approval from the Accounting Officer and is reported to the Board. There have been no new consultancy contracts over £20,000 since these revised procedures were implemented. Approved expenditure on publicity and advertising for the year totalled £2,085. This expenditure relates to stakeholder events to provide advice and guidance and raise awareness of issues identified through our research activity.

The Commission has received no sponsorship payments in 2010-11 (none in 2009-10).

Resource Accounts

Our funding

The 2007 Comprehensive Spending Review (CSR) set out the baseline funding we received for each financial year of the three year period 2008-11. The CSR provided for an annual reduction of 5% in real terms to our revenue funding for each of those three years. Our baseline revenue funding in 2008-09 was £30.97m. In 2009-10, this reduced to £30.22m and in 2010-11 it fell to £29.3m.

To access the funding set out in the CSR, we submit an annual Main Estimate to Parliament. Once Parliament approves the Main Estimate, it forms a statutory authority for HM Treasury to transfer the funds from the Government's Consolidated Fund to the Commission. This annual statutory authority is set out in the Consolidated Funds Act and the Appropriation Act. Our Main Estimate is submitted in March of the preceding financial year to which the request relates.

As well as receiving our baseline funding of £29.3m authorised in the Main Estimate, we were also permitted access to £0.4m from the Government Reserve through the Spring Supplementary Estimate published in February 2011. These additional funds were granted to the Commission to settle the balance of relocation costs following our London office move in June 2009.

On 22 October 2010, the outcome of the 2010 Spending Review was announced. The Charity Commission's revenue funding will be reduced by 33% in real terms over the next four financial years and capital funding will be halved in real terms, as set out in the table below (note, depreciation funding was not ring-fenced in 2010-11).

Funding limits for the Charity Commission for the next Spending Review period (nominal terms)	Year 0 2010-11 (£'000s)	Year 1 2011-12 (£'000s)	Year 2 2012-13 (£'000s)	Year 3 2013-14 (£'000s)	Year 4 2014-15 (£'000s)
Total Revenue DEL:	29,334	27,979	26,420	22,825	22,104
of which non-ring-fenced		26,499	25,650	22,025	21,254
of which ring-fenced for depreciation		1,480	770	800	850
Total Capital DEL	700	357	361	325	412
Annual reduction in non-ring-fenced revenue DEL		-1,265 (4.6%)	-849 (3.2%)	-3,625 (14.1%)	-771 (3.5%)

The Annual Report provides further commentary on how the Commission is reviewing its activities to operate within these reduced funding levels.

Results for the year

This year has been challenging. Apart from needing to work within a 5% reduction in our funding limit, access to End of Year Flexibility (EYF) was withdrawn. EYF is the balance of underspends from previous years which we have used in 2008-09 and 2009-10 to fund new investments. The withdrawal of EYF meant that such investments now needed to be funded from our baseline funding and savings needed to be made elsewhere to compensate. We therefore had to make significant savings on both our salary costs and day-to-day expenditure to ensure that we operated within the lower funding limit. During the year, 36 full time equivalent staff who worked on the Commission's core activities left the organisation and were not replaced. The continual review of our general and administrative expenditure realised savings of 25 per cent compared to our 2009-10 outturn.

While addressing these underlying financial pressures, we have also managed our financial position carefully to fund:

- 45 voluntary exits and one early retirement that will contribute to staff reductions necessary to remain within our funding limits for the next Spending Review period 2011-2015 (further details of these costs are provided in Note 8 to the Resource Accounts);
- end of lease costs on our former London and Liverpool offices totalling £0.7m;
- completion of a new database to hold the Register of Charities;
- adjustments to our IT systems to prepare for the registration of Charitable Incorporated Organisations; and
- continued investment in the development of our website to enable charities to complete more transactions with the Commission electronically.

The overall financial position is satisfactory. We have managed our resources well and have maintained expenditure within the funding we have received.

Resource Accounts

Reconciliation of resource expenditure between estimates, accounts and budgets	2010-11 (£'000s)	2009-10 (£'000s)
Net Resource Outturn (Estimates)	30,778	31,478
Adjustments to remove:		
- Provision voted for earlier years	-	-
Adjustments to additionally include:		
- Non-voted expenditure in the Operating Cost Statement (OCS)	-	-
- Consolidated Fund Extra Receipts in the OCS	-	-
Other Adjustments	-	-
Net Operating Cost (Accounts)	28,830	31,421
Adjustments to remove:		
- Capital Grants financed from Capital Modernisation Fund	-	-
- European Union income and related adjustments	-	-
- Voted expenditure outside the budget	-	-
Adjustments to additionally include:		
- Other Consolidated Fund Extra Receipts	2	1
- Unallocated resource provision	-	-
Other Adjustments		
Resource Budget Outturn (Budget)	28,832	31,422
Of which:		
- Departmental Expenditure Limits (DEL)	29,405	31,421
- Annually Managed Expenditure (AME)	-573	0

The surplus for the year of £1.95m represents the difference between the Net Resource Outturn (Estimates) of £30.78m and the Net Operating Cost (Accounts) of £28.83m. We have exercised tight financial control over our expenditure for the year to remain within our funding limits while obtaining optimum use of our resources. The reasons for the surplus at year end are set out below.

Surplus Revenue Delegated Expenditure Limit (DEL)

Our Revenue DEL for the year was £29.8m, against which we incurred expenditure of £29.4m. The surplus of £0.4m arose for the following reasons:

- we set aside funds of £0.1m for the potential costs arising from a legal case on which a decision was expected in mid-March 2011. The decision was not delivered by 31 March and the Resource Accounts include a provision for this amount, which scores as AME, rather than an accrual which would have scored as DEL. The pending outcome of the legal case meant that we were unable to allocate the funds to an alternative purpose;

- the Resource Accounts include an accrual for the cost of staff annual leave entitlement that has not been taken by 31 March. This accrual is calculated after the year end and the liability as at 31 March 2011 is £0.1m less than the liability as at 31 March 2010. The reduction in the accrual is credited to our Net Operating Cost; and
- the remaining £0.2m is the total of underspends against a variety of budget heads, none of which are individually material.

Surplus Annually Managed Expenditure (AME)

We requested £1.0m AME in the Spring Supplementary Estimate to cover the cost of raising a provision for staff applying to exit under our Voluntary Exit Scheme. At the time the request was made, the total cost of exits for staff that expressed an interest in the scheme was £3.1m and we were unable to estimate reliably how many of these would result in a formal application and agreed departure. The actual cost of staff who ultimately applied for Voluntary Exit was £1.9m and therefore we did not require the full provision approved in the Estimate. AME is showing a negative outturn as provisions utilised and written back in the year count as negative AME and the balance of these transactions in 2010-11 exceeds the amount from creating and increasing provisions in the year, which count as positive AME. There are no Treasury Control Totals in respect of AME.

Performance relating to expenditure controls

The level of expenditure incurred by Government Departments, including the Charity Commission, is subject to statutory limits approved by Parliament. It is a fundamental form of accountability that expenditure within a financial year does not exceed these limits. There are three key financial targets which the Commission must achieve. Our performance against these targets is set out in the table below:

	Revenue DEL (£'000s)	Capital DEL (£'000s)	Net Cash Requirement (£'000s)
Expenditure limits set at the start of the year and subsequent adjustments			
Main Estimate	29,334	700	28,873
Spring Supplementary Estimate	444	-	225
Final limit	**29,778**	**700**	**29,098**
Performance against limits			
Expenditure incurred	**29,405**	**617**	**-**
Cash drawn down	**-**	**-**	**27,533**
Performance within funding limit?	✓	✓	✓

The increase to our Revenue DEL in the Spring Supplementary Estimate was funded from the Government Reserve.

Resource Accounts

Remuneration Report

Senior Civil Service (SCS) Pay Committee

The Commission's SCS Pay Committee comprises:

Committee Chair	John Wood
Committee Member	Dame Suzi Leather
Committee Member	Theo Sowa
Committee Member	Andrew Hind (to September 2010)
Committee Member	Sam Younger (from September 2010)
External Committee Member	Louise Rose

The responsibilities of the Committee include:

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

Service contracts

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

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

Salary and pension entitlements

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

Remuneration (audited)

	2010-11 Salary (£'000s)	2010-11 Bonus payments (£'000s)	2009-10 Salary (£'000s)	2009-11 Bonus payments (£'000s)
Dame Suzi Leather DBE * Chair	80-85	0	80-85	0
Andrew Hind ** Chief Executive (to 4 October 2010)	65-70 (125-130 full year equivalent)	0-5	125-130	0
Sam Younger CBE ** Chief Executive (from 1 September 2010)	75-80 (125-130 full year equivalent)	0	0	0
Nick Allaway Director	85-90	0-5	85-90	0
Rosie Chapman Director	85-90	0	85-90	0-5
Kenneth Dibble Director	105-110	0	105-110	0-5
David Locke Director	75-80	0	75-80	0-5
Simon Jones Board Member	5-10	0	10-15	0
Sharmila Nebhrajani Board Member	5-10	0	5-10	0
Dr Andrew Purkis OBE Board Member (to 15 October 2010)	5-10	0	20-25	0
Theo Sowa CBE Board Member	10-15	0	5-10	0
Simon Wethered Board Member	15-20	0	15-20	0
John Wood Board Member	15-20	0	15-20	0
John Knight Board Member	5-10	0	0-5	0
Irene Khan Board Member (to 6 March 2011)	5-10	0	0-5	0
John Williams * Board Member (to December 2009)	0	0	10-15	0
Tess Woodcraft * Board Member (to April 2009)	0	0	0-5	0

* Indicates part time non-executive appointed on a three year fixed term contract, with the option of extension or reappointment.

** Andrew Hind was appointed for a period of four years commencing on 4th October 2004. This contract was extended by two years to 4th October 2010. Sam Younger CBE succeeded Andrew Hind from 1 September 2010 and has been appointed for a period of three years.

Resource Accounts

All Board Members serving in 2010-11 received a daily fee of £350. No pension contributions are paid.

“Salary” includes: gross salary, performance pay or bonuses, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances and any other allowance to the extent that it is subject to UK taxation.

Dame Suzi Leather’s home base is out of London. In addition to the above, and in accordance with her contract of employment, Dame Suzi incurred £19,433 in hotel and travel costs to allow her to fulfil her Charity Commission commitments in London (£22,520 in 2009-10). The Charity Commission meets the resulting tax liability for these costs.

Christopher Daws received £0 to £5,000 in remuneration for duties as the independent non-executive member of the Audit Committee (£0 to £5,000 in 2009-10).

The Chair, Chief Executive and four directors are Senior Civil Servants. A further two members of Commission staff are also Senior Civil Servants but do not sit on the Directors’ Group. During 2010-11, the salary of one of these Senior Civil Servants fell within the band £65,000 to £70,000 (£65,000 to £70,000 in 2009-10) and the other fell within the band £70,000 to £75,000 (£70,000 to £75,000 in 2009-10).

Reimbursement of expenses

Expenses claimed by Board Members are in respect of actual receipted expenditure for travel, subsistence and accommodation. 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. In 2010-11, the Commission published on its website details of expenses claimed by the Chair, Board Members, the Chief Executive and Directors on a quarterly basis.

Pension Benefits (audited)

	Accrued pension at age 60 at 31 March 2011 and related lump sum (£'000s)	Real increase in pension and related lump sum at age 60 (£'000s)	CETV at 31 March 2011 (£'000s)	CETV at 31 March 2010 (£'000s)	Real increase in CETV (£'000s)
Suzi Leather DBE Chair	10-15 Plus 40-45 lump sum	0-2.5 Plus 0-2.5 lump sum	285	241	9
Andrew Hind Chief Executive	10-15	0-2.5	208	181	13
Sam Younger CBE Chief Executive	0-5	0-2.5	28	0	25
Nick Allaway Director	30-35 Plus 90-95 lump sum	0-2.5 Plus 0-2.5 lump sum	590	513	4
Rosie Chapman Director	10-15 Plus 0-5 lump sum	0-2.5 Plus (0) – (2.5) lump sum	207	166	14
Kenneth Dibble Director	50-55 Plus 150-155 lump sum	0-2.5 Plus 0-2.5 lump sum	1,157	1,092	0
David Locke Director	10-15	0-2.5	135	108	9

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (**classic**, **premium** or **classic plus**); or a whole career scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with Pensions Increase legislation. 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 set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years 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/her 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. 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 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

Further details about the Civil Service pension arrangements can be found at the website http://www.civilservice.gov.uk/my-civil-service/pensions/index.aspx

Details of the payments made by the Commission in respect of pensions are set out in Note 8 to the Resource Accounts.

Cash Equivalent Transfer Values

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

The figures include the value of any pension benefit in another scheme or arrangement which the 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 within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are 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 or 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

Rosie Chapman will be leaving under the Civil Service Compensation Scheme (CSCS) Voluntary Exit terms on 31 May 2011 and will receive a compensation payment within the band £50,000 to £100,000. This payment is recognised in the 2010-11 Resource Accounts although it is not payable until the date of exit.

Sam Younger CBE
Chief Executive and Accounting Officer

17 June 2011

Resource Accounts

Statement of Accounting Officer's Responsibilities

Under Section 5 of the Government Resources and Accounts Act 2000, HM Treasury has directed the Charity Commission 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 Charity Commission and of its net resource outturn, changes in taxpayers' equity and cash flows for the financial year.

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

- observe the Accounts Direction issued by HM Treasury, including relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the *Government Financial Reporting Manual*, have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

HM Treasury has appointed the Chief Executive as Accounting Officer of the Charity Commission. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and safeguarding the Charity Commission's assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in *Managing Public Money*.

Statement on Internal Control

Scope of responsibility

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

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Commission's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Charity Commission for the year ended 31 March 2011 and up to the date of approval of the Annual Report and Resource Accounts and accords with Treasury guidance.

Capacity to handle risk

The Commission recognises that to deliver its strategic aims, objectives and priorities successfully it needs sound corporate governance arrangements. A fundamental feature of strong corporate governance is an effective and proactive approach to risk management. Effective risk management informs all good decision making, business planning and implementation.

The Commission's strategy is to achieve the balance between the need for a robust internal control and effective governance framework while ensuring that our approach is proportionate and commensurate with our size, funding, resources and the type and level of risk to which the Commission is exposed.

The Commission's capacity for risk management is proportionate and directed in the following ways:

- safeguarding the Commission's services, reputation, projects, assets and information security and minimising the possibility of any organisational failure;
- identifying, reporting and managing risks that are directly linked to the achievement of the Commission's aims, objectives and priorities at all levels — strategic, corporate and operational — and monitoring them on a regular basis. This includes anticipating and taking preventative action to avoid risks rather than dealing with the consequences of risks once they have materialised;

Resource Accounts

- embedding a culture of effective risk management throughout the Commission at every level, recognising that we all have a responsibility to manage risk effectively and ensuring that ownership and accountability for risk management are clearly assigned and regularly reviewed; and
- monitoring the effectiveness of our internal control, learning from our experiences and striving to improve our systems, processes and procedures where it is necessary and proportionate to do so.

The Commission has a designated internal audit and risk manager responsible for managing the internal audit programme of work and the development of risk management within the Commission.

The risk and control framework

The Commission's approach to risk management is embedded in key aspects of our work, including policy making, service delivery, business planning and project management. The main mechanisms for the identification, evaluation and mitigation of risk are:

1. Governance Framework

The Commission has a comprehensive Governance Framework which is published on our website. It includes the legal and constitutional position of the Commission, the role of the Board and principles of Good Governance. The Governance Framework seeks to:

- clarify the complementary roles and responsibilities of the Board and the Directors' Group;
- determine matters reserved for the Board and those delegated to the Chief Executive, including risk management and audit issues; and
- ensure that Board Members operate in accordance with best practice and in a way that commands the confidence of the Commission's stakeholders.

2. Audit Committee

The Audit Committee is responsible for ensuring the adequacy of risk management, internal controls and governance arrangements within the Commission. The Audit Committee is a Committee of the Commission and met on three occasions during the year. The Committee considered ten internal audit reports and no audit received an 'inadequate' assurance rating. Based on this work, our internal auditors have concluded that the Commission's risk management, control and governance processes are adequate and effective.

The Committee considers the Commission's Strategic Risk Register at each meeting and all internal and external audit reports and monitors the implementation of internal audit recommendations. Reports on audit committee business are presented to the Board following each meeting. During the year, the Audit Committee's terms of reference were reviewed and revised to ensure they follow the most recent best practice guidance.

3. Risk Management Policy

The framework for the Commission's risk management process is set out in our Risk Management Policy. The strategic approach to risk management rests with the Commission's Board and is cascaded to appropriate managers with clear responsibility for improving controls and minimising the impact of risks that may be identified. The Board reviews the Strategic Risk Register twice a year. Internal audit have confirmed that existing arrangements are fit for purpose and that there is a clear commitment to fully embed risk management throughout the organisation. They also note that the continued development of risk management arrangements has been approved and is being progressed within the Commission.

4. Risk registers

The Board and the Directors' Group identify and evaluate the Strategic Risks that, if realised, are expected to have the greatest impact on the Commission's business. These strategic risks are embedded and supported by more detailed risk registers covering all the Commission's key functions and activities. All risks have designated owners who are responsible for maintaining the registers and for overseeing the effective management of identified risks, including the development of mitigating controls.

5. Strategic Review Programme Board

The Commission established a Strategic Review Programme Board. It is chaired by the Chief Executive and two representatives from the Board attend, including the Chair. The purpose of the Programme Board is to ensure that the change management process is effectively and efficiently managed and that individual projects supporting the change programme deliver as scoped and to agreed deadlines. A Strategic Review Programme Board risk register has been drafted to manage the risks and is reviewed at each Programme Board meeting.

6. Risk and Proportionality Frameworks

The Commission's risk appetite is determined by Risk and Proportionality Frameworks covering our Compliance and Charity Services functions. These Frameworks, published in July 2008 and March 2010 respectively, define when we will or will not intervene to protect a charity and our regulatory interest while seeking to reduce the burden of regulation where possible. The Commission's risk and proportionality frameworks enable us to take a risk and evidence based approach to targeting resources on the effective regulation of charities. It encourages our staff to actively identify, evaluate and manage risks in the conduct of day to day business.

7. High risk cases

The Board receives regular reports on the high risk cases currently being dealt with by the Commission. High risk cases include those with significant risk to a charity's assets and/or beneficiaries. The criteria for such cases was reviewed and revised during the year, placing greater emphasis on sector-wide or sub-sectoral risks and issues.

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8. Project management

For each of the Commission's large scale corporate projects, a Project Board is established and a Senior Responsible Owner appointed. Oversight of such projects is through the Directors' Group chaired by the Chief Executive. Typically, corporate projects are established where significant risk, cost and staff investment are involved. We are committed to continuous improvement through disseminating lessons learnt and assessing the realisation of business benefits.

Project Management training (including the identification and mitigation of project risks) has been provided to appropriate staff. A Project Office is in place which provides advice and guidance on key aspects of project management, including a clear definition of the standards, expectations, roles and responsibilities and the need for robust risk and financial management.

9. Anti-Fraud Policy and Fraud Response Plan

The Commission has an Anti-Fraud Policy and Fraud Response Plan, which is available to all staff via the Commission's intranet. These were updated and considered by the Audit Committee in October 2010. The Commission's financial controls are expressly designed to ensure that opportunities for fraud and corruption are reduced to the lowest possible level. The Anti-Fraud Policy requires all staff at all times to act honestly and with integrity and to safeguard the public resources for which the Commission is responsible. The policy sets out the responsibilities of staff and the process for reporting incidents of fraud.

10. Security Steering Group

The Commission has a Security Steering Group that is chaired by an Executive Director and meets quarterly: It exists to give overall direction in security issues and ensure compliance with Government security policies and standards defined by the Cabinet Office and summarised in the Security Policy Framework. All of the Commission's ITC systems are subject to annual security accreditation and there are detailed processes and procedures in place that define the approach to and management of the security around these systems.

11. Data security

There have been no incidents in the year to report to the Information Commissioner's Office in relation to protected personal data.

Our programme of continuous improvements to manage the risks in relation to information security included a review and update of the Risk Management Accreditation Document Set (RMADS) for all systems handling personal data (each system being accredited separately), implementation of email protective markings, creation of an Information Asset Register, the provision of annual refresher 'Protecting Information' training and training for Information Asset Owners.

12. Business continuity

The Commission has a Business Continuity Plan (BCP) which covers all aspects of the business and is reviewed regularly. An Incident Response Plan is also in place. The BCP was activated this year as a result of student demonstrations that briefly closed our London office. Whilst some learning points materialised from the incident, the BCP worked effectively and is fit for purpose.

Strategic risks

In 2010-11, the Commission's strategic risks fell into the areas listed below:

- stakeholder expectations of our role are not met;
- insufficient response to the risks facing the sector within our regulatory remit;
- stakeholder engagement is not effective;
- statutory objectives are not met reducing public trust and confidence in charity;
- positioning the Commission for the longer term is not effective;
- insufficient funding to meet our statutory objectives;
- maintaining an effective, motivated, skilled and diverse workforce during a time of considerable change is not sustainable; and
- maintaining business continuity in the event of an unanticipated event causing significant temporary closure of Commission operations is not effective.

In each area, we have developed and continue to review the mitigation actions to manage the risks identified effectively without any significant control issues or risks materialising.

In October 2010, following the announcement by the government that the Commission's budget would be reduced by 33% in real terms by 2014-15, a strategic review was launched. Although the imminent end of the current 2008-11 strategy would have necessitated a review in any event, the scale of the reductions meant that a fundamental re-appraisal was required. As a result, the Commission began an intensive period of internal and external consultation to help identify where and how it should focus its more limited resources over the coming four years. The consultation covered future risks to the charity sector, expectations of the Commission in terms of approach and focus of activity, and whether others could be better placed to take on some of the functions currently carried out by the Commission. Implementation of the Commission's new strategy will take place on 1 October 2011.

Significant internal control issues

There were no significant internal control issues in 2010-11 to report.

Review of effectiveness

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

Resource Accounts

At the end of the year, assurance was provided by owners of risk registers in which they confirmed the adequacy of the risk management and control arrangements for which they had responsibility. This process did not identify any material weaknesses on control or irregularities in accounting practices. Risk register owners also set out the key internal controls and sources of assurance within their areas.

During 2010-11, action has been taken where appropriate to address internal control issues and recommendations made by the Commission's internal and external auditors, Audit Committee and Board.

The internal auditors have concluded that, in their opinion, for the year ended 31 March 2011, the Commission had adequate and effective risk management, control and governance processes and procedures to manage the achievement of our objectives.

Sam Younger, CBE
Chief Executive and Accounting Officer

17 June 2011

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

I certify that I have audited the financial statements of the Charity Commission for the year ended 31 March 2011 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cashflows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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. This includes an assessment of: whether the accounting policies are appropriate to the Commission's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Commission; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Regularity

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

Opinion on Financial Statements

In my opinion:

- the financial statements give a true and fair view of the state of the Commission's affairs as at 31 March 2011 and of its net cash requirement, net resource outturn and 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 other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the 'Our performance in 2010-11' and 'Management Commentary' sections of the Annual Report 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
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria, London, SW1W 9SP

23 June 2011

Statement of Parliamentary Supply

For the year ended 31 March 2011

The Statement of Parliamentary Supply demonstrates to Parliament how we have applied the resources allocated to the Commission through the Supply Estimate process.

The notes on pages 61 to 81 form part of these accounts.

Summary of Resource Outturn 2010-11

							2010-11	2009-10
			Estimate			Outturn		Outturn
Request for Resources 1	Gross Expenditure £'000s	Income A in A £'000s	Net Total £'000s	Gross Expenditure £'000s	Income A in A £'000s	Net Total £'000s	Net outturn compared with Estimate: saving/(excess) £'000s	Net Total £'000s
Revenue Delegated Expenditure Limit								
Integrity in Charity (Note 3)	30,778	(1,000)	29,778	30,357	(952)	29,405	373	31,422
Annually Managed Expenditure								
Provisions (Notes 3 and 16)	1,000	0	1,000	(573)	0	(573)	1,573	0
Total resources	31,778	(1,000)	30,778	29,784	(952)	28,832	1,946	31,422
Non-operating cost A in A	0	0	0	0	0	0	0	0

Net cash requirement 2010-11

				2010-11	2009-10
	Note	Estimate	Outturn	Net outturn compared with Estimate: saving/ (excess)	Total Outturn
	£'000s	£'000s	£'000s	£'000s	£'000s
Net cash requirement	5	29,098	27,531	1,567	31,442

Summary of the income payable to the Consolidated Fund

In 2010-11, the Charity Commission received £2k income payable to the Consolidated Fund (£1k in 2009-10).

Explanations of variances between Estimate and Outturn are given in the Management Commentary on pages 37 to 39.

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2011

The Statement of Comprehensive Net Expenditure (known formerly as the Operating Cost Statement) summarises the resources that have been consumed in the financial year in providing the Commission's services.

The notes on pages 61 to 81 form part of these accounts.

	Note	2010-11 £'000s	2009-10 £'000s
Administration costs:			
Staff costs	8	19,341	18,773
Other Administration costs	9	10,443	13,940
Total Administration costs		**29,784**	**32,713**
Operating income	10	(954)	(1,292)
Net Operating Cost		28,830	31,421

The Charity Commission does not receive Programme income or incur Programme Costs.

There was no other comprehensive expenditure in 2010-11 (£nil in 2009-10).

Resource Accounts

Statement of Financial Position

as at 31 March 2011

The Statement of Financial Position is a summary of all the Commission's assets and liabilities as at 31 March 2011.

The notes on pages 61 to 81 form part of these accounts.

	Note	31 March 2011 £'000s	31 March 2010 £'000s
Non-current assets:			
Property, plant and equipment	11	833	850
Intangible assets	12	2,423	3,493
Total non-current assets		3,256	4,343
Current assets:			
Trade and other receivables	13	1,734	1,470
Cash and cash equivalents	14	1,569	47
Total current assets		3,303	1,517
Total assets		6,559	5,860
Current liabilities:			
Trade and other payables	15	(5,042)	(2,528)
Provisions	16	(532)	(1,143)
Total current liabilities		(5,574)	(3,671)
Non-current assets less net current liabilities		985	2,189
Non-current liabilities:			
Provisions	16	(185)	(147)
Total non-current liabilities		(185)	(147)
Assets less liabilities		800	2,042
Taxpayers' equity:			
General fund		800	2,042
Total taxpayers' equity		800	2,042

Sam Younger
Chief Executive and Accounting Officer

17 June 2011

Statement of Cash Flows

for the year ended 31 March 2011

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

The notes on pages 61 to 81 form part of these accounts.

	2010-11 £'000s	2009-10 £'000s
Cash flows from operating activities		
Net operating cost	**(28,830)**	**(31,421)**
Adjustments for non-cash transactions (Note 9)	1,992	1,704
(Increase)/Decrease in trade and other receivables (Note 13)	(264)	344
Increase/(Decrease) in trade payables (Note 15)	989	(578)
Use of provision (Note 16)	(799)	(176)
Net cash outflow from operating activities	(26,912)	(30,127)
Cash flows from investing activities		
Purchase of plant, property and equipment (Note 11)	(313)	(871)
Purchase of intangible assets (Note 12)	(304)	(443)
Net cash outflow from investing activities	(617)	(1,314)
Cash flows from financing activities		
From Consolidated Fund (Supply) – current year (Note 5)	29,098	31,488
From Consolidated Fund (Supply) – prior year (Note 15)	(46)	(1,079)
Net financing	29,052	30,409
Net increase/(decrease) in cash in the period before adjustment for receipts and payments to the Consolidated Fund	1,523	(1,032)
Payments and amounts due to the Consolidated Fund	(1)	(37)
Net increase/(decrease) in cash in the period after adjustment for receipts and payments to the Consolidated Fund	1,522	(1,069)
Cash and cash equivalents at the beginning of the period (Note 14)	**47**	**1,116**
Cash and cash equivalents at the end of the period (Note 14)	**1,569**	**47**

Resource Accounts

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2011

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

The notes on pages 61 to 81 form part of these accounts.

Changes in taxpayers' equity for 2010-11	Note	£'000s
Balance as at 1 April 2010		2,042
Non-cash charges – auditor's remuneration	9	59
Net operating cost for the year	4	(28,830)
Total recognised income and expense for 2010-11		(28,771)
Net Parliamentary Funding – drawn down		29,052
Net Parliamentary Funding – deemed		46
Supply payable		(1,567)
CFERs payable to the Consolidated Fund	6	(2)
Balance as at 31 March 2011		800

Changes in taxpayers' equity for 2009-10	Restated £'000s
Balance as at 1 April 2009	1,886
Non-cash charges – cost of capital	71
Non-cash charges – auditor's remuneration	65
Net operating cost for the year	(31,421)
Total recognised income and expense for 2009-10	(31,285)
Net Parliamentary Funding – drawn down	30,409
Net Parliamentary Funding – deemed	1,079
Supply payable	(46)
CFERs payable to the Consolidated Fund	(1)
Balance as at 31 March 2010	2,042

Notes to the Resource Accounts

1. Statement of accounting policies

These financial statements, which cover the accounting period 1 April 2010 to 31 March 2011, have been prepared in accordance with the *Government Financial Reporting Manual (FReM) 2010-11* 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 (page 55) and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

The 2009-10 Statement of Changes Taxpayers' Equity has been restated for the reclassification of certain equity transactions.

Change in accounting policy: Cost of Capital charge

The 2009-10 Statement of Comprehensive Net Expenditure included a notional cost of capital charge to reflect the cost to the taxpayer of capital utilised by the Commission in providing its services. The charge was calculated at a rate set by HM Treasury of 3.5% on the average carrying amount of all assets less liabilities, except for cash balances with the Officer of the Paymaster General, where the charge is £nil. From 1 April 2010, HM Treasury has directed that Government Departments are no longer required to include a notional cost of capital charge in their Resource Accounts. The cost of capital charge in the 2009-10 Statement of Comprehensive Net Expenditure was £71k. Due to the immaterial value of this balance, the 2009-10 disclosures have not been restated. A restatement of the prior year comparatives would not affect the net Resource Outturn for the year as a corresponding adjustment would be made to the Parliamentary Supply. The balance of Total Taxpayers' Equity would remain unchanged.

IFRS that have been issued but are not yet effective

IAS24: Related Party Disclosures was amended in November 2009 and will be effective for accounting periods starting on or after 1 January 2011. The revision of IAS24 simplifies and clarifies the definition of a related party, and provides government-related entities with partial exemption from the disclosure requirements relating to related party transactions and outstanding balances. The Charity Commission intends to apply amended IAS24 in the 2011-12 financial year. The impact of applying this revised standard will not be material.

IFRS 9: Financial Instruments was issued in November 2009 and will be effective for financial reporting periods beginning on or after 1 January 2013. The new standard simplifies the classification and measurement of financial assets, previously reported under IAS 39 Financial Instruments: Recognition and Measurement. The application of this standard will not have a material effect on the disclosure of financial assets within the Charity Commission financial statements.

Resource Accounts

1.1 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.

1.2 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.

Property, plant and equipment are stated at the lower of net current replacement cost and recoverable amount and is therefore reported at fair value and where held at depreciated historical cost, this is regarded as a suitable proxy for fair value. On initial recognition, these assets are measured at cost, including any costs such as installation directly attributable to bringing them into working condition. Indexation rates are not applied to property, plant and equipment assets as the impact on the net book value of the those assets would not be material.

1.3 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. Intangible assets are therefore reported at fair value and where held at depreciated historical cost, this is regarded as a suitable proxy for fair value. Indexation is not applied to intangible assets as these are primarily assets that have been developed in-house for the specific purposes of the Commission and do not, therefore, have an onward sale value.

1.4 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	2-7 years
Furniture and fittings	5-7 years
Leasehold improvements	Term of lease or initial break point
IT databases	7 years
Websites	7 years

1.5 Impairments

The value of non-current assets is 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 economic benefit, the loss is charged to the Statement of Comprehensive Net Expenditure.

1.6 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.

1.7 Operating income

Operating income is income which relates directly to the operating activities of the Commission. It includes income appropriated in aid of the Estimate and income from the Consolidated Fund. Operating income is stated net of VAT. Income is recognised at the point there is a legal obligation on the other party to pay the Commission.

1.8 Administration expenditure

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

1.9 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. The International Programme also receives funding from the Canadian Government in $ Canadian. This funding is converted into £ sterling on the date that the funds are received by the Commission.

1.10 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme, which are described in Note 8. The defined benefit schemes are unfunded and non-contributory except in respect of dependents' benefits. The Commission recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Principal Civil Service Pension Scheme (PCSPS) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS 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.

1.11 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.

1.12 Provisions

Where the Commission incurs a legal or constructive liability to make a payment, the amount and timing of which are uncertain at the Statement of Financial Position date, a provision is created on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by the Treasury (currently 2.8%).

1.13 Value added tax

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

1.14 Contingent liabilities

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

1.15 Significant estimates and judgements

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

2 Segmental analysis

For internal reporting purposes, the Charity Commission operates two segments: Charity Commission core business and the International Programme. The International Programme is reported separately as it has its own funding streams and is operated as a distinct unit within the Commission. The primary financial statements record the total income, expenditure, assets and liabilities of the Charity Commission and the International Programme. The note below shows the amounts attributable to the two segments.

	Income £'000s	Expenditure £'000s	Net operating costs £'000s	Net non-current assets employed £'000s
	2010-11			
Charity Commission: core business	(264)	29,094	28,830	3,216
International Programme	(690)	690	0	40
Total	**(954)**	**29,784**	**28,830**	**3,256**
	2009-10			
Charity Commission: core business	(572)	31,993	31,421	4,298
International Programme	(720)	720	0	45
Total	**(1,292)**	**32,713**	**31,421**	**4,343**

3 Analysis of net resource outturn by section

						2010-11		2009-10
					Outturn	Estimate		
	Admin £'000s	Other Current £'000s	Gross Resource Expenditure £'000s	A in A £'000s	Net Total £'000s	Net Total £'000s	Net Total outturn compared with Estimate £'000s	Prior Year Outturn £'000s
Request for Resources 1:								
Giving the public confidence in the integrity of charity								
Section A	29,784	0	29,784	(952)	28,832	30,778	1,946	31,422
Total	**29,784**	**0**	**29,784**	**(952)**	**28,832**	**30,778**	**1,946**	**31,422**

Explanation of the difference between Estimate and Outturn

Our Outturn was £1.9m less than our Estimate mainly as a result of the provision for Staff Exits being lower at year end than initially planned in January's Spring Supplementary Estimate. This was due to a number of expressions of interest in the voluntary exit scheme not resulting in a formal application, and several of the applications being approved, and therefore accrued for, in 2010-11. Further details are provided in the Management Commentary on pages 37 to 39.

4 Reconciliation of outturn to net operating cost against Administration Budget

4.1 Reconciliation of net outturn to net operating cost

	Note	Outturn £'000s	Supply Estimate £'000s	2010-11 Outturn compared with Estimate £'000s	2009-10 Outturn £'000s
Net Resource Outturn	3	28,832	30,778	1,946	31,422
Net Supply Income (CFERs)	6	(2)	0	2	(1)
Net Operating Costs		**28,830**	**30,778**	**1,948**	**31,421**

4.2 Outturn against final Administration Budget

	Budget £'000s	2010-11 Outturn £'000s	2009-10 Outturn £'000s
Gross Administration Budget	31,778	29,784	32,713
Income allowable against the Administration Budget	(1,000)	(952)	(1,291)
Net outturn against final Administration Budget	**30,778**	**28,832**	**31,422**

5 Reconciliation of net resource outturn to net cash requirement for 2010-11

	Note	Estimate	Outturn	Net total outturn compared with Estimate: saving/ (excess)
		£'000s	£'000s	£'000s
Resource Outturn		30,778	28,832	1,946
Capital:				
Acquisition of property, plant and equipment and intangible assets	11 12	700	617	83
Accruals adjustments:				
Non-cash items	9	(2,480)	(1,992)	(488)
Changes in working capital other than cash		0	(725)	725
Use of provision	16	100	799	(699)
Net cash requirement		29,098	27,531	1,567

Our net cash requirement outturn is £1.6m less than our Estimate due to the timing of cash flows which is reflected in the £2.5m increase in Trade and Other Payables.

Resource Accounts

6 Analysis of income payable to the Consolidated Fund

In addition to Appropriations in Aid, the following income relates to the Commission and is payable to the Consolidated Fund (cash receipts being shown in italics):

	Forecast 2010-11		Outturn 2010-11	
	Income	*Receipts*	Income	*Receipts*
	£'000s	£'000s	£'000s	£'000s
Operating income and receipts – excess A in A	0	*0*	0	*0*
Other operating income and receipts not classified as A in A	0	*0*	2	*2*
Sub total	0	*0*	2	*2*
Non-operating income and receipts – excess A in A				
Other non-operating income and receipts not classified as A in A	0	*0*	0	*0*
Other amounts collectable on behalf of the Consolidated Fund	0	*0*	0	*0*
Excess cash surrenderable to the Consolidated Fund	0	*0*	0	*0*
Total income payable to the Consolidated Fund	**0**	***0***	**2**	***2***

7 Reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund

	2010-11	2009-10
	£'000s	£'000s
Operating income	954	1,292
Income authorised to be appropriated in aid	(952)	(1,291)
Operating income payable to the Consolidated Fund	**2**	**1**

8 Staff numbers and related costs

	2010-11 £'000s	2009-10 £'000s
Wages and salaries	13,864	14,317
Social security costs	1,076	1,098
Other pension costs	2,623	2,696
Agency staff	180	556
Severance costs	1,716	98
Increase/(decrease) in IAS 19: employee benefits accrual	(82)	27
Total	**19,377**	**18,792**
Charged to Capital	(36)	(19)
Total Net Costs	**19,341**	**18,773**

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

For 2010-11, employer's contributions of £2.23m were payable to the PCSPS (£2.298m in 2009-10) at rates in the range 16.7% to 24.3% (16.7% to 24.3% in 2009-10) of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions every four years following a full scheme valuation. From 2011-12, the rates will be in the range of 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2010-11 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. Employer's contributions of £366,801 were paid to one or more of a panel of three appointed stakeholder pension providers (£368,890 in 2009-10). Employer contributions are age-related and range from 3% to 12.5% (3% to 12.5% in 2009-10) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £1,183, 0.8% (£1,901, 0.8% in 2009-10) of pensionable pay, were payable to the PCSPS to cover the cost of future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the Statement of Financial Position date were £32,971 (£31,882 in 2009-10). Contributions prepaid at that date were £nil (£nil in 2009-10).

Two staff (nil staff in 2009-10) retired early on ill health grounds; the total additional accrued pension liabilities amounted to £59,530 (£nil in 2009-10).

Average number and cost of persons employed

The average number of full time equivalent (FTE) persons, including senior management, employed during the year and their related cost, were as follows:

	2010-11 Number	2009-10 Number	2010-11 £'000s	2009-10 £'000s
Charity Commission staff	436	466	19,161	18,217
Agency staff	6	17	180	556
Total	**442**	**483**	**19,341**	**18,773**

Reporting of Civil Service and other compensation schemes - exit packages

In order to maintain expenditure within the reduced funding levels during the next Spending Review period (2011-2015), the Commission will need to reduce the size of its workforce. A Voluntary Exit Scheme, using the terms prescribed in the Civil Service Compensation Scheme, was launched in January 2011. As at 31 March 2011, 45 departures had been agreed under the scheme. The cost of the associated compensation payments is reflected in the Statement of Comprehensive Net Expenditure as this cost is recognised at the point the departure is agreed and not when the exit occurs.

The following additional staff exits were agreed in the year and the costs are reflected in the Statement of Comprehensive Net Expenditure:

- one exit under Approved Early Retirement terms;
- four exits with statutory redundancy terms for staff whose fixed term contract was terminated;
- three exits with retirement costs for staff whose fixed term contract was terminated;
- two ill-health retirements; and
- one exit with a compensation payment agreed with HM Treasury and not covered by the CSCS.

The table below analyses these exits by cost bandings. Figures for 2009-10 are included in brackets.

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages
Less than £10,000	0 (0)	17 (1)	17 (1)
£10,000 - £24,999	0 (0)	15 (0)	15 (0)
£25,000 - £49,999	0 (0)	12 (0)	12 (0)
£50,000 - £99,999	0 (0)	10 (1)	10 (1)
£100,000- £149,999	0 (0)	1 (0)	1 (0)
£150,000- £200,000	0 (0)	1 (0)	1 (0)
Total number of exit packages	0 (0)	56 (2)	56 (2)
Total resource cost (£)	0 (0)	1,715,667 (98,203)	1,715,667 (98,203)

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.

9 Other administration costs

	Note	2010-11 £'000s	2009-10 £'000s
Rentals under operating leases		1,621	2,309
Interest charges (incurred on finance leases)		0	7
		1,621	2,316
Non-cash items:			
Depreciation	11	314	303
Amortisation	12	1,231	1,121
Revaluation of assets	11 & 12	12	16
Loss on disposal of fixed asset	11 & 12	46	3
Capital Write-off	11 & 12	104	0
Cost of capital charge	1	0	71
Auditor's remuneration		59	65
Provisions provided in year	16	570	125
Provisions written back in year	16	(344)	0
		1,992	1,704
Other expenditure:			
Personnel related		1,097	1,971
Accommodation		1,190	2,250
Office services		2,042	2,870
Contracted Services/Consultancy		398	582
Specialist services		2,103	2,192
Losses and special payments	22	0	55
		6,830	9,920
Total expenditure		**10,443**	**13,940**

10 Income

	2010-11	2009-10
	£'000s	£'000s
Income received in respect of the International Programme:		
from other UK Government Departments	665	721
from non-UK entities	25	0
Income received for rendering services to or on behalf of other UK Government Departments	248	496
Other income	16	75
	954	1,292

11 Property, plant and equipment

	Information Technology	Furniture & Fittings	Leasehold Improvements	Total
	£'000s	£'000s	£'000s	£'000s
2010-11				
Cost or valuation				
At 1 April 2010	674	383	691	1,748
Additions	265	48	0	313
Re-lifed assets	1	0	0	1
Disposals	(64)	(15)	0	(79)
Revaluation	0	0	0	0
At 31 March 2011	**876**	**416**	**691**	**1,983**
Depreciation				
At 1 April 2010	448	302	148	898
Charged in year	122	44	148	314
Disposals	(60)	(15)	0	(75)
Revaluations	9	4	0	13
At 31 March 2011	**519**	**335**	**296**	**1,150**
Net book value at 31 March 2010	**226**	**81**	**543**	**850**
Net book value at 31 March 2011	**357**	**81**	**395**	**833**

2009-10				
Cost or valuation				
At 1 April 2009	565	358	0	923
Additions	148	32	691	871
Re-lifed assets	2	0	0	2
Disposals	(21)	0	0	(21)
Revaluation	(20)	(7)	0	(27)
At 31 March 2010	**674**	**383**	**691**	**1,748**
Depreciation				
At 1 April 2009	391	232	0	623
Charged in year	82	73	148	303
Disposals	(18)	0	0	(18)
Revaluations	(7)	(3)	0	(10)
At 31 March 2010	**448**	**302**	**148**	**898**
Net book value at 31 March 2009	**174**	**126**	**0**	**300**
Net book value at 31 March 2010	**226**	**81**	**543**	**850**

All assets are owned by the Commission, there are no assets held under finance leases (none in 2009-10).

12 Intangible assets

	IT databases	Websites	Assets under construction	Total
		£'000s	£'000s	£'000s
2010-11				
Cost or valuation				
At 1 April 2010	7,801	42	763	8,606
Additions	0	0	304	304
Transfers	963	0	(963)	0
Disposals	(134)	0	0	(134)
Revaluation (write-off)	0	0	(104)	(104)
At 31 March 2011	**8,630**	**42**	**0**	**8,672**
Amortisation				
At 1 April 2010	5,078	35	0	5,113
Charged in year	1,224	7	0	1,231
Disposals	(95)	0	0	(95)
At 31 March 2010	**6,207**	**42**	**0**	**6,249**
Net book value at 31 March 2010	**2,723**	**7**	**763**	**3,493**
Net book value at 31 March 2011	**2,423**	**0**	**0**	**2,423**
2009-10				
Cost or valuation				
At 1 April 2009	7,801	42	320	8,163
Additions	0	0	443	443
At 31 March 2010	**7,801**	**42**	**763**	**8,606**
Amortisation				
At 1 April 2009	3,963	29	0	3,992
Charged in year	1,115	6	0	1,121
At 31 March 2010	**5,078**	**35**	**0**	**5,113**
Net book value at 31 March 2009	**3,838**	**13**	**320**	**4,171**
Net book value at 31 March 2010	**2,723**	**7**	**763**	**3,493**

All intangible assets are owned by the Commission, no intangible assets are held under finance leases (£nil in 2009-10). Assets under construction represent expenditure on IT and IS developments.

13 Trade receivables and other current assets

13.1 Analysis by type

	2010-11	2009-10
	£'000s	£'000s
Amounts falling due within one year:		
VAT	254	234
Deposits and advances	16	5
Other trade receivables	261	297
Prepayments and accrued income	1,203	934
	1,734	1,470
Amounts falling due after more than one year:		
Prepayments and accrued income	0	0
Total trade receivables and other current assets at 31 March	1,734	1,470

13.2 Intra Government Balances

	2010-11	2009-10
	£'000s	£'000s
Amounts falling due within one year:		
Balances with other central government bodies	485	620
Balances with bodies external to government	1,249	850
	1,734	1,470
Amounts falling due after more than one year:		
Balances with bodies external to government	0	0
Total trade receivables and other current assets at 31 March	1,734	1,470

14 Cash and cash equivalents

	2010-11 £'000s	2009-10 £'000s
Balance at 1 April	47	1,116
Net change in cash and cash equivalent balances	1,522	(1,069)
Balance at 31 March	**1,569**	**47**
The following balances at 31 March were held at:		
Government Banking Services	1,568	46
Cash in hand	1	1
Balance at 31 March	**1,569**	**47**

15 Trade payables and other current liabilities

15.1 Analysis by type

	2010-11 £'000s	2009-10 £'000s
Amounts falling due within one year:		
Taxation and social security	604	652
Trade payables	895	1,172
Other payables	6	69
Staff exit costs	1,453	0
Accruals and deferred income	330	588
Amounts issued from the Consolidated Fund for Supply but not spent at year end	1,567	46
Consolidated Fund extra receipts received and receivable due to be paid to the Consolidated Fund	2	1
	4,857	2,528
Amounts falling due after more than one year:		
Staff exit costs	185	0
Total trade payables and other current liabilities at 31 March	**5,042**	**2,528**

Resource Accounts

15.2 Intra Government balances

	2010-11	2009-10
	£'000s	£'000s
Amounts falling due within one year:		
Balances with other central government bodies	2,205	699
Balances with bodies external to government	2,834	1,829
	5,039	**2,528**
Amounts falling due after more than one year:		
Balances with bodies external to government	0	0
Total trade payables and other current liabilities at 31 March	**5,039**	**2,528**

16 Provision for liabilities and charges

	Early departure costs	Property dilapidation	Legal	Staff exit costs	Total 2010-11	Total 2009-10
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Balance at 1 April	245	1,045	0	0	1,290	1,341
Provided in year	27	80	100	363	570	125
Provision utilised in year	(98)	(701)	0	0	(799)	(176)
Provision written back	0	(344)	0	0	(344)	0
Balance at 31 March	**174**	**80**	**100**	**363**	**717**	**1,290**

16.1 Analysis of expected timing of cash flows

	Payment by 31 March 2012	Payment after 1 April 2012	Total
	£'000s	£'000s	£'000s
Early departure costs	69	105	174
Property dilapidation	0	80	80
Legal	100	0	100
Staff exit costs	363	0	363
Total	**532**	**185**	**717**

16.2 Early departure costs

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

16.3 Property dilapidation

The Commission moved its London office in June 2009 and surrendered one floor it leased in the Liverpool Office in May 2010. The respective landlords for these properties submitted claims for dilapidations to the Commission. These claims were settled in 2010-11 at a value less than the amount provided. The provision not required has been written back to the Statement of Comprehensive Net Expenditure. A new provision has been created for dilapidations on our current London office which we anticipate moving from in 2012-13.

16.4 Legal

The decisions of the Commission are open to challenge in the Charity Tribunal and in some instances, the High Court. Where a challenge against the Commission is successful, the Commission may, in certain circumstances, be liable for the costs incurred by the other party, particularly if the appeal is in the High Court. This provision relates to such costs and covers cases considered by the High Court and Court of Appeal during the year on which a decision had not yet been issued by 31 March 2011.

16.5 Staff exit costs

This provision relates to the cost of CSCS payments to staff who have applied for the Voluntary Exit Scheme but whose application had not been agreed by the Commission by 31 March 2011. The expenditure to create this provision is not included in Note 8 but is instead recorded in Note 9 as a non-cash cost in order to demonstrate that the amount is funded by AME until the provision is utilised.

17 Capital commitments

At 31 March 2011, the Commission had £nil capital commitments (£0.09m as at 31 March 2010).

18 Commitments under leases

18.1 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.

	2010-11	2009-10
	£'000s	£'000s
Obligations under operating leases comprise:		
Buildings		
Not later than one year	1,245	1,245
Later than one year and not later than five years	4,527	4,940
Later than five years	980	1,392
	6,752	7,577
Other		
Not later than one year	0	35
Later than one year and not later than five years	0	0
Later than five years	0	0
	0	35

19 Other financial commitments

The Commission has no material financial commitments other than those disclosed in Notes 17 and 18 (£nil in 2009-10).

20 Financial instruments

As the cash requirements of the Commission are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the Commission's expected purchase and usage requirements and the Commission is therefore exposed to minimal credit, liquidity, foreign currency or market risk.

21 Contingent liabilities disclosed under IAS 37

The Commission had no contingent liabilities at 31 March 2011 (£nil as at 31 March 2010).

22 Losses and special payments

22.1 Losses statement

	2010-11		2009-10	
	Number	£'000s	Number	£'000s
Total losses for the year	0	0	0	0

22.2 Special payments

	2010-11		2009-10	
	Number	£'000s	Number	£'000s
Total special payments for the year	1	0	4	55

There was one special payment in 2010-11 for £150 (four in 2009-10).

23 Related party transactions

During the year 2010-11, no Board Member, key manager or other related parties undertook any material transactions with the Commission. 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 Department for Communities and Local Government and the Charity Commission for Northern Ireland and are reported in the Statement of Parliamentary Supply as Appropriations in Aid (A in A). All transactions have been undertaken on arm's length terms.

24 Events after the Statement of Financial Position 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

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 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.

Appropriations in Aid (A in A)
Income received by the Commission, in addition to that voted to it from the Consolidated Fund, that Parliament authorises the Commission to retain to offset related expenditure. Any income over the authorised limit must be surrendered to the Consolidated Fund.

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.

Comprehensive Spending Review
A three year plan setting out the aims and objectives of the Commission and the related funding and spending budgets.

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.

Consolidated Fund Extra Receipts (CFERs)
Income received by the Commission which we are not authorised by Parliament to use to offset our expenditure. CFERs are paid into the Consolidated Fund.

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.

Cost of Capital charge
A charge to reflect the opportunity cost of Government funding assets of the Commission. It is a notional charge included in the financial statements to ensure the full cost of services is recognised. The charge was abolished from 1 April 2010.

Delegated Expenditure Limit (DEL)
A control total specified for the Commission. Separate DELs are set for Revenue 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 non-current assets.

End Year Flexibility (EYF)
Equivalent to a reserve, EYF is a mechanism that allows any unspent DEL at year end to be carried forward into future financial years. Access to EYF was withdrawn in 2010-11.

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.

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.

Resource Accounts

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 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 outturn
The net total of income and expenditure consumed by 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.

Request for Resources (RfR)
The unit of Parliamentary control by which resources for the Commission are granted. A separate RfR is given for each function of a Government Department. The Commission only has one function designated by Parliament and therefore only has one RfR.

Revenue expenditure
Expenditure on day-to-day activities and other payments that do not give rise to an asset with a life of more than one financial year.

Supply
The resources voted to the Commission by Parliament.

Trade payables
Formerly classified as Creditors. These 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.

Trade receivables
Formerly classified as Debtors. These 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.

Vote
The process by which Parliament approves the Commission's funding requested in our Estimate.

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