Charities you can support with confidence

# Annual Report and Accounts **2011-12**

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# Charity Commission

## Annual Report and Accounts 2011-12
## (For the year ended 31 March 2012)

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

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

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

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

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# Contents

# Foreword by the Chair and Chief Executive

This has been a year of renewal for the Charity Commission. In December 2011, we published our new strategic plan, marking the end of a period of reflection and consultation, during which we reaffirmed our core vision – *Charities you can support with confidence*. The strategic plan sets out the Commission's key priorities for the three years to 2015. These are to develop charities' self-reliance, promote their compliance with charity law and help them become more accountable to the public. These three themes recognise that, in light of the cuts to our budget, we must focus on serving the public by doing the things only a regulator can do. They also recognise that it is not good enough just to tackle serious problems when they occur – we must help charities prevent problems happening in the first place. As well as highlighting the Commission's key achievements in 2011-12, this report explains how the watch-words of self-reliance, accountability and compliance inform the approach we now take to all of our work, including core duties such as registering charities and producing online guidance. We hope this helps charities and the public understand what to expect from us in the years ahead.

Agreeing a new strategic plan is not just a matter of putting pen to paper. It is a collaborative process, which, in our case, has involved charities, the public, policy makers as well as the Commission's own staff members. People from across the organisation were involved in developing our new approach and their positive attitude is now helping to nurture an organisational culture in which innovation, learning and individual responsibility are encouraged. This is reflected in the Commission's new structure, which formally took shape in October 2011 and is marked by fewer layers of management and multi-disciplinary teams. We would like to take this opportunity to thank our staff, including the many who have

*The Commission is clear about its priorities for the years ahead. This will stand us in good stead as we and the charities we regulate operate within a challenging, changeable economic climate.*

moved on during the course of the year, for their professionalism and hard work during this time of fundamental change.

We will be ready to adapt to that continuous change by remaining flexible and innovative. As we write, Lord Hodgson's wide-ranging review of the Charities Act 2006 is underway.

We welcome the review as an opportunity to help define and protect charities' unique role for generations to come.

Dame Suzi Leather, Chair
Sam Younger, Chief Executive

# Farewell from Dame Suzi

In July 2012, Dame Suzi's term of office as Chair of the Charity Commission comes to an end. At the time of writing, arrangements for her succession are underway.

"My six years as Chair of the Charity Commission have been among the most challenging and rewarding of my career and I am particularly proud to have guided the Commission safely through some pretty stormy waters. The challenges of implementing the 2006 Charities Act with its renewed emphasis on public benefit, the economic downturn which has brought hardship for many charities and those who depend on them and last but by no means least, the impact of the public spending cuts on our own organisation have made it an unprecedentedly demanding period of leadership challenge. It has been an honour and a privilege to witness at close quarters the impact of charitable activity across England and Wales and to have met so many people whose drive and energy is focused not on benefitting themselves or stakeholders but the public. The Commission's role in supporting that charitable endeavour and in ensuring that the public can support charities with confidence has never been more important. I am immensely proud that the Commission's work is reflected in the high levels of trust charities continue to enjoy and I note with great pleasure the increase in public trust and confidence in charities over the past six years.

As an organisation we responded to the very significant cuts to our budget in an imaginative and collaborative way and I am leaving a Commission that is confident of its role, respected by its stakeholders and trusted by the public. I would like to thank everyone inside and outside the Commission who has helped to make these past years deeply satisfying. I could not have asked for better colleagues and to them and to my successor my warmest best wishes.

# This year in figures

**5,601**

charities registered in a reduced average of 27 days

(**5,776** and **29** in 2010-11)

**97%**

of the charity sector's income for accounts and Annual Returns made available to the public

(**99%** in 2010-11)

**86%**

of charities filed accounts on time and 83% filed Annual Returns on time

(**86%** and **84%** in 2010-11)

**85**

investigations completed, including 9 statutory inquiries

(**167** and **9** last year)

**213,022**

emails, letters and phone calls dealt with

(**224,000** in 2010-11)

**43 million**

page views of our website received

(**42 million** in 2010-11)

**1,191**

Freedom of Information requests handled

(**726** in 2010-11)

**47p**

spent to regulate every £1,000 of income received by registered charities in 2011-12

(**53p** in 2010-11)

# Vision, Mission, Values

## Vision

Charities you can support with confidence

## Mission

The Charity Commission's core role is to protect the public's interest in the integrity of charity: to ensure that charities focus on those purposes which gave them charitable status and that they carry them out for the public benefit serving neither private nor governmental or political interests.

Our mission is: To be the independent registrar and regulator of charities in England and Wales, acting in the public's interest, to ensure that:

- charities know what they have to do
- the public know what charities do
- charities are held to account

## Values

Our values underpin all that we do and govern our external and internal behaviour. Our five values have the following meaning:

- Expertise
  Our unique perspective and expertise are core to the effective delivery of our role. The public and charities alike rightly expect us to be experts.
- Fairness
  We must always act in an independent way with integrity and free from bias. We value diversity and treat each other and our external stakeholders fairly.
- Openness
  We are committed to act in an open and transparent way, promoting and sharing good practice.
- Clarity
  We need to ensure that all those who interact with us are clear about what they need to do. We need to be clear and timely in our decisions and excellent in explaining the reasons for those decisions.
- Accountability
  We are committed to account for the decisions we make, the way in which we regulate and how we use public funds. Internally we trust each other to make decisions, are accountable for our work and provide each other with support.

Part 1

# Developing compliance

The public places high levels of trust in charities and expects charity trustees, who are responsible for charities, to take their duties seriously. As regulator, the Commission plays a crucial role in making that happen and almost everything we do is ultimately aimed at improving charities' compliance with the law. Because our strategic review helped identify that we must focus on what only we can do, we are now prioritising activities that have the most direct impact on improving charities' compliance.

Effective regulation does not mean getting involved whenever trustees face difficult decisions or something goes wrong in a charity. Trustees are responsible for running their charities and are usually able to deal with risks or challenges on their own or with the help of professional advisers.

However, some cases call for our involvement – either because a charity requires a legal order only we can make, or because we need to provide regulatory advice to ensure trustees comply with their duties.

In the most serious cases, where there is evidence of serious misconduct or wrongdoing, or where charity assets or beneficiaries are at significant risk, we may need to use our statutory powers to get the charity back on track. We are also becoming more proactive, targeting high risk areas to ensure trustees comply with their legal obligations.

## New Risk Framework

In January 2012, we started working to a new Risk Framework, which sets out our overall approach to protecting the public's interest in charities. It also explains how we assess risks to individual charities, the wider charity sector, and to public trust and confidence in charities.

Alongside the strategic plan, the Risk Framework is the core document that informs the approach we take to all of our work. We have taken care to write it in a way that is clear for trustees and members of the public to understand.

The new framework introduced a three-stage process, which we are now following when deciding when and how to get involved with individual charities. The approach is based around three main questions: does the Commission need to be involved, what is the nature of the risk and what is the most effective response.

## Tackling serious problems

Most trustees do a good job and levels of deliberate abuse in charities are relatively low. However, serious problems in charities do occur. In the most serious cases, we can open a Statutory Inquiry into a charity. As the Risk Framework explains, our role focuses on trustees, so for us, the most serious cases are likely to be those involving evidence of maladministration or misconduct on the part of trustees that is putting the charity or its assets at such risk that we have to use our formal investigatory powers, for instance to obtain documents, freeze bank accounts and remove trustees. Where a problem in a charity is being adequately addressed by another agency, we will not get closely involved unless we have specific regulatory concerns. During 2011-12, we opened 12 and closed 9 Statutory Inquiries. In addition, 76 investigations, dealt with as regulatory compliance cases, were completed and closed in 2011-12.

**76** investigations, dealt with as regulatory compliance cases, were completed and closed in 2011-12

During the 9 Statutory Inquiries closed, we investigated a range of concerns. The issues that featured most frequently were concerns about fraud, problems around trusteeship, accounting issues and unmanaged conflicts of interest. Concerns around alleged connections to terrorism featured in two of the Statutory Inquiries closed this year.

During the 76 regulatory compliance cases closed, the issues that featured most frequently were trusteeship issues – including serious disputes and unmanaged conflicts of interest – accounting issues, concerns about fraud and concerns about vulnerable beneficiaries.

As of 1 April 2012, 80 investigations opened under our previous compliance regime were ongoing, including 27 Statutory Inquiries and 53 regulatory compliance cases. Serious concerns about charities that are not Statutory Inquiries are now dealt with as regulatory cases within our Operations teams.

## Helping keep charities on track

Our new organisational structure provides for multi-disciplinary Operations teams, which deal with serious concerns in charities and also consider if permission can be granted to charities for particular transactions, such as land transactions.

Often, we get involved in individual charities by simply providing authorisation or advice. In higher risk cases, we may need to provide corrective regulatory advice that explains exactly what we expect trustees to do to rectify mistakes or avert risks.

The overwhelming majority of the cases handled by our new First Contact team and our four new Operations teams based in Liverpool, Taunton, Newport and London between December 2011 and 31 March 2012, involved granting trustees authorisation to change their charity's governing document. Other common issues our cases deal with include land and property transactions, charity dissolutions, requests for general information, following up Reports of Serious Incidents (see below), complaints against charities, and issues involving trustees' roles and responsibilities and trustee benefits.

Since our new organisational structure came into force, we have concluded in the region of 5,000 cases involving individual charities.

# Developing compliance

Our approach to protecting the public's interest in charity - how we assess risks and manage resources

**Stage 1**
Does the Commission need to be involved?

- Does the issue fall wholly or partly within our remit?
- Does it involve the use of a regulatory power that only we can use?
- Are others better placed to act?
- Is there Commission guidance publicly available that will resolve the issue?
- Is the issue potentially of such significance that it is in the public interest for us to engage?

**Stage 2**
If yes, what is the nature and level of the risk?

What is the nature of the risk that the issue presents?
What is the level of the risk, as affected by
- the capacity for trustees to remedy the problem themselves
- the residual risk if they do not
- the profile and size of the charity
- the charity's compliance record
- the impact on beneficiaries or charitable assets
- any wider sector impact or implications for the wider sector or particular subsectors
- where the issue is part of a wider trend, whether for the charity or a sub sector or charities generally,
- the complexity of the issue, and whether it might set a precedent
- any wider public interest considerations
- other matters which our experience or knowledge tell us warrant action in the public interest

**Stage 3**
What is the most effective response in the circumstances?

We will consider the best way of resolving the case or issue given
- what guidance already exists
- whether our involvement will have a significant impact
- the risks and impact of not acting
- the resource implications

**For example:**

- Highlight charities that don't meet their reporting requirements
- Refer to web advice and guidance or provide tailored advice
- Grant permission or approve use of a charity's power
- Wider communications activity
- Other regulatory activity
- Open a statutory inquiry

**Crescent Relief – a charity whose main activities included emergency relief and reconstruction work in Pakistan following the 2005 earthquake and Indonesia following the Tsunami.**

Our inquiry was opened to examine the charity's financial management and its supervision of overseas activities to investigate concerns that funds had been unlawfully used. Our statutory powers were used to freeze the charity's UK bank accounts to safeguard charitable funds while these concerns were being investigated.

From the information examined by the investigation we concluded there was no evidence that the trustees diverted charitable funds for unlawful or non-charitable purposes. However, the investigation concluded that the trustees were unable to satisfactorily verify the end use of funds in Pakistan and Indonesia. We also determined that measures taken to control, monitor and document the use of charitable funds overseas were insufficient. Consequently, we made an Order to direct the trustees to carry out a governance review of the administration and management of the charity and implement the outcomes of that review. We are monitoring the trustees' compliance with the Order.

## Reporting on our work

The public has an interest in the outcomes of our Statutory Inquiries into charities. Because it is important that the public understands how our cases are resolved, we also report on some of our wider case work. We published 13 reports of our case work with charities in 2011-12, of which 7 were reports of Statutory Inquiries. In total, these reports covered our work with 54 charities, as some investigations involved concerns in more than one charity.

## Reports of Serious Incidents

Charity trustees are required to report serious incidents to us. Reporting problems to us helps ensure we can, if necessary, step in to help at the earliest opportunity. There will not always be a need for our involvement, as trustees are often able to manage the serious incident on their own. This year, we received 1,027 reports of serious incidents from trustees, up from 849 in 2010-11.

We also received 121 reports from whistleblowers about charities, the overwhelming majority of which were made by auditors, employees or local authorities. Around half of these reports concerned issues around dishonesty or fraud. Other issues raised in whistleblowing reports include concerns around failures of charities' internal controls, concerns around risks to vulnerable beneficiaries and concerns around breaches of charity law.

# Developing compliance

## Proactive regulation

We now place far greater emphasis on preventing problems from happening in the first place. An important part of that is helping charity trustees become more self-reliant and working with the charity sector to assess risk – part three of this report under *Working with partners* explains what this means in practice.

## Spot checking accounts

There are things only we as regulator can do to help prevent problems. For example, we are revising our system of spot checks on charities' annual accounts. In the past, we requested accounts from a sample of charities with incomes under £25,000, which are not required to submit accounts on an annual basis, to assess whether small charities were preparing accounts even though these did not have to be filed.

In future we will review a sample of accounts of charities of all sizes to ensure that they meet relevant accounting requirements in the way they have been prepared. When we find that accounts are not compliant, we will contact trustees to let them know where they have gone wrong. We will also publish details of the types of problems we are finding in our review.

This approach will help us assess overall levels of accounting compliance among charities, and enable us to feed back to the sector about how charities can improve their accounting compliance.

## Tackling fraud head on

The National Fraud Authority's Annual Fraud Indicator 2012 estimates that charities lost around 1.7% of their income to fraud this year – an estimated £1.1bn based on the charity sector's total income in 2010-11. While fraud affects all parts of the economy, any amount of fraud in charities is unacceptable, because it takes money away from charity beneficiaries and because of the high trust the public places in charities.

**1.7%** income charities lost to fraud this year (National Fraud Authority's Annual Fraud Indicator 2012)

In March 2012, we published our new strategy for dealing with fraud, financial crime and financial abuse in charities. The aim of the strategy is to prevent problems from occurring in the first place by alerting charities to the risks of fraud and financial crime and by providing online guidance to help them manage these risks. The strategy sets out how we work with the sector and other government agencies to detect, deter and disrupt fraud in charities, and why and how we might intervene when individual charities experience financial abuse. The strategy explains that we prioritise the most serious cases where trustees are unwilling or unable to put things right or where abuse is deliberate.

We have worked this year with the NFA and representatives of the charity sector on a charity fraud project, which has supported guidance produced by the sector.

### Beatbullying – a charity that works to prevent bullying, violence and harassment

The trustees of Beatbullying came to us when they realised the charity had experienced 'mission drift', meaning that it had carried out charitable activities that are outside its stated aims. The charity was also soon to receive a large grant for activities that would go beyond its objects.

Mission drift can be contrary to charity law – trustees have a duty to make sure a charity's mission and all its activities are within the scope of its objects and powers as set out in the governing document.

However, the Commission understands that charities' missions can evolve over time in response to changing needs in society and we take a proportionate approach to dealing with such situations.

In this case, the charity's trustees were aware of their duties and alerted us to their situation early on. We were able to provide the charity with a legal consent, allowing it to widen its objects to cover all areas of its planned activity.

> *Although challenging and at times worrying, mission drift for Beatbullying was seen by the Trustees as a positive response to our growth, transition and the changing funding environment. Changing our objects was just something we had to do. The Commission's swift and thoughtful response, advice and decisions, have been critical, timely and have enabled us to grow, extend our services and continue to meet our mission and honestly, for that we thank them.*
>
> Emma-Jane Cross, CEO of Beatbullying

It is important that trustees regularly review their charity's objects and mission, to ensure they are still appropriate.

*Fraud risks undermining trust in charities, so it's vital that agencies join forces to help prevent and tackle it. The Charity Commission recognises this and has worked closely with the NFA to reduce fraud, bringing together representatives from the voluntary, public and private sectors to identify and adopt counter fraud strategies that enhance intelligence flows, raise awareness, and disrupt fraudulent activity.*

Stephen Harrison
Chief Executive of the
National Fraud Authority

## Scam alerts – protecting charities and the public

It is vital people continue to give generously in response to international disasters and emergencies. Sadly, there are unscrupulous people who abuse the public's generosity in response to such situations by setting up fake appeals and stealing the donations. We help ensure donations reach the intended cause by issuing alerts to remind people how to give safely. For example, in July 2011 we issued advice on giving safely to support people affected by the drought and severe food shortages in East Africa. We also issued alerts around Christmas and Ramadan – times when many people give especially generously.

Sometimes, we publish information in response to particular problems we've been made aware of. For instance, in May 2011, we sent alerts to charities, warning them of a spate of frauds and attempted frauds involving faked supplier documentation. We were notified by the Higher Education Funding Council for England (HEFCE) after a number of higher education institutions were targeted. Many charities, particularly those using suppliers of significant services, could be vulnerable to this type of fraud, so we gave charities advice on how to avoid becoming victims.

## Helping charities safeguard vulnerable beneficiaries

In April 2012, we published a strategy that helps explain our role in preventing and dealing with safeguarding problems in charities. It is aimed at charity trustees as well as other agencies that have a role to play in safeguarding children or vulnerable adults - such as local authorities.

The strategy explains how we work with the charity sector and other agencies to prevent safeguarding concerns arising in the first place. It also explains how we respond to allegations or reports of abuse of children and vulnerable adults within a charity, and how we deal with concerns about someone who is currently acting as a charity trustee, employee, volunteer or contractor and their suitability to hold that position.

## The Commission's International Programme – supporting effective regulation around the world

Around 13,000 registered charities work internationally. These charities command a combined income of over £9 billion, more than half of which goes to partner charities and non governmental organisations (NGOs) in other countries. While our jurisdiction extends only to charities established in England and Wales, donors and supporters here have an interest in the effective regulation of NGOs around the world. The main aim of the Commission's International Programme is to help create a healthy, accountable and independent NGO sector that works in a regulatory environment in which the risk of abuse is minimised.

The International Programme (IP) was formed in 2004 and receives its core funding from the UK Foreign Office. This year it has worked successfully in many regions around the world, including Pakistan and the Gulf states. In Pakistan we completed our training of officials in the Ministry of Social Welfare and Special Education, which has responsibility for regulating the NGO sector, and we provided advice on a new draft NGO law. In the Gulf, we have worked across the region and in particular in Qatar.

The IP is now working also on projects funded by foundations and other governments.

### Indonesia

This is the final year of a project funded by the Canadian Government to support the Indonesian Department of Social Development to develop NGO regulation in Indonesia. So far, the project has helped develop new registration and reporting systems, and trained officials to operate them. The IP is now working to develop case management and monitoring systems.

### South Africa

The Baring Foundation is funding the IP to deliver a one-year project supporting the Department of Social Development in South Africa. The project is helping the Department create new processes for registering NGOs, improve its monitoring and compliance functions, and develop a new overarching approach to regulation that is more supportive and effective, including helping lay the foundations for an independent regulatory body.

## New regulator in Australia

This year, Australia has been developing a new regulatory body for charities. David Locke, former Director of Charity Services at the Commission, was seconded to Australia as chief adviser in October 2011, and has been advising the government taskforce in this connection. The Australian Charities and Not-for-profits Commission is due to launch on 1 October 2012.

> *Here in Australia, the Commission is respected as practising right-touch charity regulation that helps promote trust in the charity sector, without overburdening charities with red tape. This balanced regulatory approach is as critically important in Australia as it is in the UK. The lessons from the UK have proved invaluable in influencing the design, build and approach of the new Australian regulator.*
>
> David Locke

## International liaison and engagement

The IP has represented the Commission at a number of events designed to improve international cooperation in NGO regulation. These include meetings of the *Middle East & North Africa Financial Action Task Force* in Jordan, the *Asia Pacific Group* in India and the *International Centre for Not-for-Profit Law Global Forum* in Stockholm and NGO conferences in Canada.

In addition, the Commission gave substantial support to the United Nations Counter-Terrorism Executive Directorate programme of raising awareness of terrorist financing in the NGO sector worldwide, contributing to regional conferences in Auckland, New Zealand (Asia Pacific) and Nairobi, Kenya (Sub Saharan Africa).

The Commission has hosted visitors from over 20 countries, representing government, the NGO sector and academia, to discuss NGO regulation. These included China, Korea, Malaysia, Ghana and Nigeria.

## Responding to the Arab Spring

This year, the Commission met with delegations from the new civilian governments in Egypt and Libya, which are keen to develop systems of regulation that promote accountability while allowing NGOs the freedom and independence they need to work effectively. We are in talks with both governments, as well as other UK departments, to discuss how we might collaborate formally.

Part 2

# Developing accountability

One way or another, all charities rely on the support of the public – whether that's through direct donations, the time and effort of volunteers or as a result of tax relief. It is therefore vital that trustees take seriously their duty to ensure the public have access to information about their charity.

Charities are free to make a wide range of information available to the public and we encourage them to report fully on the impact they have. But there is a certain, minimum amount of information all charities have to make available and the Commission plays a key role in making sure that happens.

> *It's important to me that charities provide the public with information about how they spend their money.*
>
> 96% of those asked agree[1]

## Online registration

All charities with annual incomes of £5,000 and over are required in law to register with us, meaning that information about them is available on the online Register. This year, 5,601 charities joined the Register – the vast majority of these (5,516) having submitted online applications.

Registration with the Commission is rightly a robust test of charitable status. Before entering a charity on the Register, we make sure its objects are exclusively charitable and it is established for the public benefit.

Since March 2012, it has been compulsory for applicants to submit their governing document and trustee declarations online at the point of submission.

This helps ensure the process is as swift as possible for charities and we can focus our resources where they matter – ie getting the decision right. We try to register all charities within 30 days and this year, we registered charities in a reduced average of 27 days. Novel or complex applications will take longer than this.

> *An effective charity accounts to the public in a way that is transparent and understandable.*
>
> Hallmarks of an Effective Charity

**5,601** charities joined the Register this year, the majority of which submitted online applications

1 Ipsos Mori Public Trust and Confidence Survey 2010

## Developing accountability


Afonydd Cymru Cyfyngedig Credit: Helen Jobson

### Registration case study

The charity Afonydd Cymru Cyfyngedig (AC) represents and supports member Rivers Trusts across Wales. AC works with the Welsh Government, other agencies and organisations and local communities to improve the aquatic environment in Wales. Its objects are to protect, conserve and improve the rivers, streams, watercourses and river basins of Wales and to educate people in Wales about water management and environmental conservation.

AC applied to register with the Commission online in November 2011. Because the charity's application was comprehensive and clear, we were able to proceed quickly with the case and register AC in January 2012.

*"Registering as a charity was straightforward because we had done our homework before making the application. The Commission came back to ask us for further information so that it could be sure we are exclusively charitable. But we knew that's what the public would expect so were happy to cooperate. Thanks to the vital support we receive from the Countryside Council for Wales, AC is now a thriving charity.*

Huw Evans, Chair of Afonydd Cymru Cyfyngedig

## Accountability in action

All charities are required to submit information within 10 months from the end of their last financial year. Charities with an income above £10,000 are required in law to submit an Annual Return and those whose income exceeds £25,000 also have to provide a copy of their accounts.

This is to ensure that the public can see how charities have used their money. What and how much information they have to send within their Annual Return and accounts depends on their income that year – we take a proportionate approach so don't ask the same detail of the smallest charities as we ask of the largest.

This year, 83% of charities filed their Annual Return on time and 86% filed their accounts on time. Charities that don't file on time are marked in red on the online Register, meaning supporters and potential donors can see that the charity hasn't been up-to-date with its filing requirements.

The charities for which we held the most up-to-date Annual Return and accounts (on 31 March 2012) represent 97% of the income of the charity sector.

## Helping you find charities online

We are committed to helping people access information about charities through the online Register. This year, we developed a mobile version of our website, which allows people to check the Register when they're out and about, helping ensure they give safely to genuine charities. The mobile version of our website has been used nearly 6,000 times since its launch in December 2011 and, in total, charities' details were viewed online over 6 million times this year.

**6 million** charities' details viewed online

We have also made it easier for people to make advanced searches on the online Register. You can now search the Register according to what the charity does, whom the charity helps, and how the charity operates. These searches are useful for charities too – allowing them, for instance, to search for grant making trusts that may be able to fund their work.


Lloyds TSB Foundation supports the Centre for Independent Living in Gwynedd Credit: Brian Aldrich

> *Before we consider any request for funding, we always check charities' entries on the Commission's online Register, to ensure that they are fully up to date and have made timely submissions. We find this a useful indicator of good governance and don't progress requests unless documentation is fully up to date.*
>
> Linda Kelly
> Chief Executive of Lloyds TSB Foundation

## Asking charities the right questions

We don't want to overburden charities by asking them for information that people can find in the same format elsewhere.

But it is important that the online Register remains the authoritative source of information about charities, and we regularly review the information we ask of trustees, to make sure the Register answers the questions the public are asking.

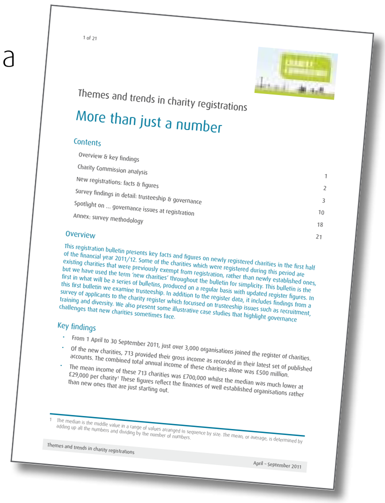
We recently launched a consultation on our approach to the information we collect and display on the online Register. We asked a range of questions which explore whether there is more, less or different information that we should be collecting. We wanted to know about people's attitudes to the information we ask charities to send on an annual basis, including their views on whether there is anything else we can do encourage charities to file on time.

The consultation, which is underway at the time of writing, will inform future Annual Returns and our future strategy for information.

## Registration Bulletin

We want to make the most of the information only we hold about charities and this year, piloted a new research project analysing additions to the Register during a six-month period. We have published two such Registration Bulletins, the first in October 2011, and the second in May 2012.

The first bulletin included findings of a survey of applicants to the Register, which found that many new charities do not look very widely to identify the best trustees, and instead rely on founders' networks to recruit board members.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Themes and trends in charity registrations

More than just a number

Contents



Overview

This registration bulletin presents key facts and figures on newly registered charities in the first half of the financial year 2011/12. Some of the charities which were registered during this period are existing charities that were previously exempt from registration, rather than newly established ones, but we have used the term 'new charities' throughout the bulletin for simplicity. This bulletin is the first in what will be a series of bulletins, produced on a regular basis with updated register figures. In this first bulletin we examine trusteeship. In addition to the register data, it includes findings from a survey of applicants to the charity register which focussed on trusteeship issues such as recruitment, training and diversity. We also present some illustrative case studies that highlight governance challenges that new charities sometimes face.

Key findings

- From 1 April to 30 September 2011, just over 3,000 organisations joined the register of charities.
- Of the new charities, 713 provided their gross income as recorded in their latest set of published accounts. The combined total annual income of these charities alone was £500 million.
- The mean income of these 713 charities was £700,000 whilst the median was much lower at £29,000 per charity[1] These figures reflect the finances of well established organisations rather than new ones that are just starting out.

1 The median is the middle value in a range of values arranged in sequence by size. The mean, or average, is determined by adding up all the numbers and dividing by the number of numbers.

Themes and trends in charity registrations April – September 2011

These findings contributed to our campaign for Trustees' Week 2011, which encouraged charities to consider the benefits of a diverse trustee board that reflects the skills, experiences and attributes the charity needs.

The second bulletin highlighted the search functions of the online Register by including case studies of charities registered during the six months to April 2012. These included the phenomenon of Street Pastor charities – charities set up to support teams of Christians who go out onto city streets at night to help vulnerable people, often those affected by drugs and alcohol.

So far, the Registration Bulletins have revealed that the profile of charities joining the Register during the periods examined closely mirrors the Register as a whole, with charities with incomes of less than £10,000 far outnumbering larger charities. Looking ahead, we will continue to examine additions to the Register for statistical and thematic trends.

## Developing charity law

This year, we were party to a number of important legal cases, which have helped explain and develop charity law.

One of these, a judicial review and a reference from the Attorney General on the Commission's public benefit guidance on fee charging independent school charities, is referred to in part two of this report, under *Excellent online guidance*.

Two of the cases resulted from organisations challenging our decision not to register them as charities. In July 2011, the Charity Tribunal rejected the appeal of Full Fact, an organisation which checks the accuracy of claims made during political and public debate. The judges agreed with our view that the organisation had objects which were not exclusively charitable for the public benefit.

In March 2012, the Charity Tribunal upheld our decision not to register the community organisation U-Turn, agreeing that the organisation was not able to demonstrate that its purposes were charitable or for the public benefit. These two cases have helped explain the nature of charitable purposes and what promoters of new charities need to do to achieve registration.

In February 2012, the Upper Tribunal decided that charities for the relief of poverty can be charities where they help only certain restricted groups of people – for instance the employees of a certain company. This case followed a reference from the Attorney General (AG). We had approached the AG highlighting the need for clarification in this area. Charity case law prior to the 2006 Charities Act had confirmed the general principle that, to be charitable, a trust must be for the benefit of the community, or an appreciably important section of the community. The Upper Tribunal Decision confirmed that the pre-2006 law still applied.

Part 3

# Developing self-reliance

Trustees are the legal guardians of their charities. As regulator, the Commission has a role in explaining and upholding charity law. But it is not for us to tell trustees how to run their charities or to make decisions on their behalf.

In the past, some trustees came to us for reassurance that their decisions or planned actions were within their power to make and in line with charity law. We know that many charities welcomed this kind of tailored support. However, the cuts to our funding mean we have to prioritise our core regulatory duties and, after consultation with the charity sector, we have decided to scale back one-to-one advice to charities. Instead, we will help trustees develop confidence in their own judgement and help ensure they know where to go for specialist advice when they need it.

So one of our main priorities over coming years will be to help develop self-reliance – both among trustees of individual charities and at charity sector level. This work started in 2011-12, during which our priorities have been to improve our online services to charities, develop our online guidance, and work with partners in the sector to help them provide more support to charities.

**76%** website users either very satisfied or satisfied with their visit (survey March - April 2012)

"*I never felt like I was working with a machine.*"

Charity trustee on using online services

## Online services - helping charities self-serve

We want to make our online services as easy for trustees to use as possible. In August, we launched a new video tutorial to help trustees file their Annual Return and update their charity's details online. It is aimed at trustees using the online services for the first time and explains, step-by-step, how easy it is to update a charity's financial information or make changes to the charity's trustees or contact details. We also re-designed the online Annual Return form itself, making it simpler. From 2011 onwards, all charities have had to submit their Annual Return online.

## Website gets thumbs up

A survey of users of our website in March-April 2012 revealed that over two thirds (76%) were either very satisfied or satisfied with their visit, with over 70% saying they found everything or most of what they wanted. We know we can do even better than that – and you can find out what we are doing to make our website more useful for members of the public in part two of this report, under *Helping you find charities online*.

Akosia

## Akosia

Maria Schonfeld is a founding trustee of Akosia, a small charity that facilitates creative arts projects for women and children, helping them express themselves and learn new skills. It started in Ghana and now works in several countries around the world. We spoke to Maria about using the Commission's online services.

*"Akosia is a small outfit so as trustees, we look after all aspects of the charity's work, including filing documents. We're quite new – we registered online in 2010, after reading the online guidance."*

**Q** How have you found the Commission's online services?

*"Our experiences have been good. I've only filed one Annual Return so far, and found that straightforward. I wasn't aware of the video tutorial, but didn't really have any questions about the process.*

*When we have needed to contact the Commission by email – to change our objects - the staff member was super helpful and made a point of telling us about the info and services available online. I never felt like I was working with a machine."*

**Q** What would you change about our online services?

*"The Commission should publicise its website more! There are probably lots of trustees that aren't aware of what's available online at the click of a button."*

*Thank you for setting up such a straightforward online process. This is my first year of submitting the return and it was always done on paper before. It will definitely be on time for 2011-12. What a relief!*

Janet Nightingale
The Otford Foundation

## New email newsletter

CC News is our quarterly newsletter for trustees. It goes out to over 140,000 charities, as well as over 9,000 people and organisations that have signed up to receive our news alerts. CC News updates trustees on new guidance, includes helpful reminders about their duties and lets them know if anything has changed at the Commission.

**140,000** charities receive our quarterly newsletter, CC News

In May 2012, we re-launched CC News in a new email newsletter format, making it more attractive to read and allowing trustees to follow links straight to relevant pages on our website.

We also started including results of our investigations, to help other trustees avoid making the same mistakes in their charities. These changes followed a survey of CC News readers, which helped us better understand trustees' needs.

## Excellent online guidance – making charity law clear

Producing online guidance is one of the Commission's core functions and our strategic review identified that we must continue to make this a priority. Our guidance helps explain what the law says about trustees' duties and responsibilities and sets out the issues they should consider when making decisions on behalf of their charity. Because all charities are different, our guidance does not provide all the answers – but it does encourage trustees to ask the right questions so that they make decisions that are appropriate for their charity.

More recently, our guidance has also helped encourage trustees to respond innovatively to challenges and opportunities. Our guidance is now more enabling and empowering, in that it explains the options open to trustees in furthering their charity's objects and helps trustees consider the risks associated with their decisions.

# Developing self-reliance

As developing self-reliance is now a strategic priority for the Commission, our online guidance will continue to help trustees understand their powers and gain confidence in their own judgement. This approach is evident in the guidance published over the past year.

## Investing for good

In October, following extensive consultation, we published updated guidance on *Charities and investment matters*. The new guidance explains trustees' duties when investing their money on behalf of their charity and makes clear when trustees must seek expert advice. The guidance encourages trustees to develop confidence in their decision making, by stressing that so long as they follow the principles set out in the guidance and have acted in line with their duties, they are unlikely to be challenged for their actions. The guidance explains that there are two broad types of investment for charities, traditional financial investment aimed at the best risk-adjusted financial return and programme-related investment, which sees trustees investing in the hope of directly furthering their charity's aims while also making a possible financial return. The latter is an evolving form of investment, and could be described as a form of charity-to-charity social investment. Our guidance makes clear that trustees must know what their primary purpose is in making an investment before making any decisions.

> *The Commission's revised guidance on 'Charities and Investment Matters' is a useful tool for trustees. It updates the guidance to reflect changes in investment approaches, products and markets, explains the law, and makes clear that it is for trustees to make decisions that are right for their charity and its beneficiaries.*
>
> Kate Rogers
> Chair Charity Investors' Group

## Updating trustees on public benefit

In October, the Upper Tribunal (Tax and Chancery Chamber) published its decision on the public benefit requirement as it applies to fee charging charitable independent schools. This followed a judicial review by the Independent Schools Council and a reference from the Attorney General. We welcomed the decision, which upheld the Commission's interpretation of the law in several respects, particularly by confirming that independent schools must operate for the public benefit and must make provision for the poor to benefit from their educational facilities. However, the Upper

Tribunal said that parts of our guidance were not clear in explaining the extent of trustee responsibility in this respect. The judges said that trustees must provide a level of benefit to the poor which was more than minimalist but how much more was for trustees to decide.

As requested by the Upper Tribunal, we withdrew parts of our guidance by December, including all of our guidance on public benefit and fee charging charities. We also reviewed our overarching guidance on public benefit, in order to present it in a new user-friendly format and to take on board legislative changes and the Tribunal decision. We will publish the reviewed guidance for consultation in the early summer of 2012 and hope to publish the final guidance in autumn 2012.

## Developing tools for small charities

Half of all charities on the Commission's Register have incomes of less than £10,000 and many more even smaller charities fall below the registration threshold. We recognise that these charities have different needs and legal requirements to those of larger organisations that can afford to employ staff. So we have created an area of our website dedicated to the needs of small charities, which includes concise and clear information on issues ranging from registering with the Commission to working with other charities.

**50%** of charities on the Commission's Register have incomes of less than £10,000

This year, we published new information about risk management for small charities. The new pages provide useful questions small charities should ask themselves to avoid problems, and they cover areas including making sure your charity works in line with its governing document and ensuring trustees are properly appointed.

## Equality Act guidance

In August, we published more detailed guidance on a section of the Equality Act 2010 that may have implications for certain charities.

We had already published summary information in 2010 when the Act was published, but this year, we produced full guidance to help trustees understand the charities' exemption within the Act. This exemption allows charities to limit the people it helps according to certain characteristics otherwise protected by the Act, as long as they can show the restriction is based on a need or disadvantage on the part of that group. Our guidance explains that this kind of restriction must be justified as a reasonable way of achieving a legitimate aim and provides examples of what that might mean in practice.

It complements information published by the Government Equalities Office and the Equality and Human Rights Commission.

## Working with partners

While we will continue to provide a wide range of generic advice and guidance to help trustees run their charities, we have never been in a position to provide all the support charities may need. So a crucial part of improving self-reliance in the charity sector will be to work with key partners to support and help develop their services.

This year, we introduced a new partnership strategy that sets out why and how we work with other organisations to promote compliance with charity law and to increase self-reliance. Our goal is to shift our regulatory 'touch' up a level, moving away from one-to-one relationships with 180,000 charities, towards a network of relationships, mainly with umbrella and intermediary bodies.

Our partnerships will operate across a range of activities and relationships. At one end of this spectrum lies simple signposting. At the other

end, we will be supporting external partners prepared to take on an active role in ensuring compliance and good governance in their part of the charity sector.

Many elements of our strategy already started taking shape this year, with discussions well underway with potential partners about working together to improve sector self-reliance.

## Signposting and working with partners

The minimum support we will offer to partners is to signpost to their services using a dedicated area of our website. In return, we expect our partners to pass on key regulatory messages to members. However, in many cases our collaboration with a partner will be more involved. For instance, we will work with some umbrella bodies to provide joint written advice tailored to the needs of their members, or by developing simplified processes for managing changes to the governing documents of their member charities.

## Supporting quality accreditation

We will continue to endorse charity sector-led quality accreditation schemes that meet our rigorous conditions. Our aim is to collaborate with our partner charities to widen the influence and use of quality standards, which are

themselves a particularly good example of sector self-reliance, and an important means of promoting legal compliance and good practice.

## Review programme

We are working with key partner organisations to create opportunities for charities to access free reviews of specific aspects of their governance. The reviewers, who are provided by our partners, and the charities all take part voluntarily. The charities receive tailored feedback about how to strengthen their governance. We receive the reviewers' anonymised general findings so that, together with our partners and the wider charity sector, we can consider how we can *collectively* improve the support and signposting in key areas of risk.

This year, we launched two pilot projects, with the Institute of Chartered Accountants in England and Wales (ICAEW) and the Institute of Chartered Secretaries and Administrators (ICSA). The first began in September 2011 with ICAEW members reviewing financial controls. The second, launched in April 2012, has ICSA members reviewing charities' general governance processes. We will be reporting on both pilots later in 2012. We now hope that key support charities will partner us in developing a peer-review strand of the programme.

## Review of the Charities Act

In November, Lord Hodgson published terms of reference for his review of the Charities Act 2006, setting out a wide ranging and comprehensive approach. The review, which will report shortly, is examining some of the key provisions of 2006 Act, including the definition of charity and the public benefit requirement, the role and powers of the Commission, reporting requirements for charities, and the role of charity trustees. It is also looking at the legal and regulatory framework more generally. The Commission has welcomed Lord Hodgson's approach and has played an active role in responding to calls for evidence.

Part 4

# Organisational performance and change

## This year's reporting framework

This has been a transitional year for the Commission. Our strategic review, which began in October 2010, continued into this financial year, concluding with the publication of a new strategic plan in December 2011.

In previous years we reported against Key Performance Indicators (KPIs) linked to our 2008-2011 strategic plan. We continued to work to these KPIs until 30 November 2011. From 1 December we moved to a new organisational structure and adopted a different set of performance indicators. Our performance has been consistently strong against both the new and old indicators.

Our performance this year

| Overall Service Delivery | Target | 2010-11[2] | 2011-12 |
|---|---|---|---|
| % of emails answered in 15 working days | 90 | n/a | 98.3 |
| % of emails answered in 10 working days | 75 | 87.6 | 86.2 |
| % of calls answered within 30 seconds | 80 | 79 | 80 |
| % of calls that are abandoned | <5 | 2.3 | 2.5 |
| % of letters answered in 15 working days | 90 | 94.3 | 98.3 |
| % of letters answered in 10 working days | 75 | 52.8 | 80.9 |
| % of letters answered in 5 working days | 60 | n/a | 66.8 |
| Average time taken to deal substantively with letters (working days) | 15 | 9 | 8.5 |
| **Registration** | | | |
| Average time to register a charity (working days) | 30 | 29 | 27.4 |
| Average time taken to process a successful fast track registration (working days) | 5 | 1 | 2.8 |
| Average time taken to process complex/novel/high risk applications (working days) | 50 | 36 | 36.7 |
| % of registration applications received online | 75 | 88 | 99.9 |

2 Figures included here refer to the Commission's former Charity Services directorate, whereas the 2011-12 figures include all the Commission's functions. The figures are therefore not fully comparable.

| Overall Service Delivery | Target | 2010-11[2] | 2011-12 |
|---|---|---|---|
| **Investigation and Enforcement** | | | |
| % of investigations resulting in at least one of specified beneficial impacts | 90 | 94 | 87 |
| % of investigation reports published in 3 months | 90 | 81 | 94.5 |
| Publish *Charities Back on Track* before end Q3 | | Sept 2010 | Sept 2011 |
| Sector alerts issued highlighting key risks and trends | 2 | n/a | 4 |
| **Charity Information** | | | |
| % of charities for which the most recent due accounts are held | 92.5 | 94 | 94 |
| % of charities for which the most recent due Annual Returns are held | 92.5 | 94 | 94 |
| % of sector's income for which the most recent due accounts are held | 98 | 99 | 97 |
| % of the sector's income for which the most recent due reports are held | 98 | 98 | 97 |
| % of charities filing accounts within the 10-month deadlines | 78 | 86 | 86 |
| % of charities filing Annual Returns within the 10-month deadlines | 78 | 84 | 83 |
| % of the sector's total income for which accounts have been filed within the 10-month legal deadline | 90 | 96 | 95 |
| % of the sector's total income for which Annual Returns have been filed within the 10-month legal deadline | 90 | 95 | 94 |
| **Public Trust and Confidence** | | | |
| Target: Continuous improvement over 2005 baseline of 6.3 | | 6.6% | 6.6%<br>New survey planned for summer 2012 |

## Our new External Performance Indicators

Next year, in our Annual Report 2012-13, we will report against the three new External Performance Indicators set out here.

These new EPIs do not represent targets. Instead, they are performance measures that will help us examine how we are performing year to year. If our performance falls below our expectations in any area, we will take the opportunity to set out what action we are taking to improve performance, including what lessons we have learned. We hope that the EPIs will therefore serve as a tool for encouraging and supporting continuous improvement. We will use these EPIs for the duration of the life of our current strategic plan, which will run until 2015.

| EPI 1 – Relative cost of the Commission's work |
| --- |
| We will measure this EPI by calculating the cost of the Commission for every £1,000 of income of registered charities. |

| EPI 2 – Quality of the Commission's work |
| --- |
| We will measure this with the help of a new programme of quality reviews that will help us assess our case work as well as other pieces of our work. Our overall success against EPI 2 will be measured by looking at the percentage of our casework or other pieces of work that has been reviewed as acceptable in the following areas:<br>**Objectives** – were the requirements for the work clearly identified? Was the desired outcome identified?<br>**Resources** – were the resources devoted proportionate to the requirements? Were the right resources used? Was the best possible use made of the resources?<br>**Technical accuracy** – Were the issues arising from the work correctly identified? Did the chosen solution accurately deal with those issues? Did the final product correctly meet all legal and commonsense constraints? |

## EPI 2 – Quality of the Commission's work

**Communication** – Were the right people internally involved? Were appropriate consultations undertaken? Were the external communications timely, clear, professional, and courteous? Were the right stakeholders involved?

**Process** – Was a clear process pursued? Was there the right flexibility in the process? Were the stages undertaken in a timely manner? Was the process properly and appropriately documented?

**Outcome** – Were the objectives met? What difference was made? Was the outcome fair? Was the customer satisfied (with process if not outcome?)

**Learning** – Were any wider implications identified? Were wider implications shared with the right people? Was appropriate learning achieved?

## EPI 3 – Public Trust and Confidence

We have measured levels of Public Trust and Confidence in charities since the Charities Act 2011 set this out as one of the Commission's key objectives.

We will continue to measure this through a public opinion survey carried out independently on our behalf every two years.

## Our staff

Over the past 18 months, we have invested in developing an organisational structure that helps us deliver against our aims, despite the significant cuts to our budget. That structure came into effect in December 2011. The Commission now has a flatter hierarchy, in that there are fewer layers of management. We are pleased to have achieved the majority of the staff reductions necessary to meet the budget reductions through voluntary means.

The following table demonstrates how the Commission's workforce has changed over the past year.

| | | 31 March 2012 | 31 March 2011 |
|---|---|---|---|
| Payroll staff | | 337 | 405 |
| Agency staff | | 1 | 6 |
| Workforce shape | Staff at Payband 3 and below | 130 | 166 |
| | Staff Payband 4 and above, excluding SCS | 200 | 231 |
| | SCS | 7 | 8 |
| Workforce diversity | BME | 5.8% | 5.5% |
| | Women | 53.2% | 56.2% |
| | Disabled | 12.9% | 13.4% |
| Attendance AWDL | | 6.1 days | 8.3 days |
| People Survey | Engagement % | 55% | 55% |
| Pay multiple | (ratio between highest and lowest paid) | 8.22 | 8.22 |

Note: the staffing numbers/workforce shape are FTE.

# Organisational performance and change

## Improving organisational culture and employee engagement

During this period of fundamental change at the Commission, our staff have shown both goodwill and a high degree of professionalism. Despite the uncertainties, we have together managed to maintain good employee relations – our Civil Service staff engagement levels have remained stable at 55% – and have increased productivity, by reducing sickness absence from 8.3 annual working days per staff member to 6.1 days by March 2012.

We remain committed to investing in staff training and development, and have encouraged staff members to contribute ideas for improving the way we work.

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 enabling a culture of mutual respect, the need for good internal 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 2011, we again took part in the Civil Service People Survey, and we are using the results to help us prioritise action to maintain staff engagement. As noted above we were pleased that, despite the major changes we had made within the organisation, our engagement score was maintained at its previous level.

Discussions and consultations this year have focused primarily on the strategic review and the related staff and organisational changes. Only one formal complaint was received during a redeployment process in which the Commission lost around 130 posts. A comprehensive employee support programme has accompanied the staff transition programme.

## Equality and diversity

The Commission is committed to equality and diversity. Following the implementation of the new Equality Act 2010 the Commission has developed a new Equality Strategy to replace its existing Single Equality Scheme. This was signed off by the Board in March 2012 and has now been published. We are continuing to embed equality and diversity into all of our work and are currently implementing a framework for managing equality and diversity, including a programme of activities designed to demonstrate how we are meeting our new top level objectives; Promoting Equality in Employment and Promoting Equality in Regulation. In all of our activities we aim to treat colleagues and customers fairly and with respect. For the strategic review we compiled a detailed Equality Impact assessment and shared this with all staff and the Board at each stage of decision making. We were able to report no adverse impact on groups with protected characteristics as a result of implementing the strategic review.

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 attended 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, age and religion and belief. Training on equality and diversity, managing unconscious bias, bullying and harassment and disability awareness 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 12.9%, 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.

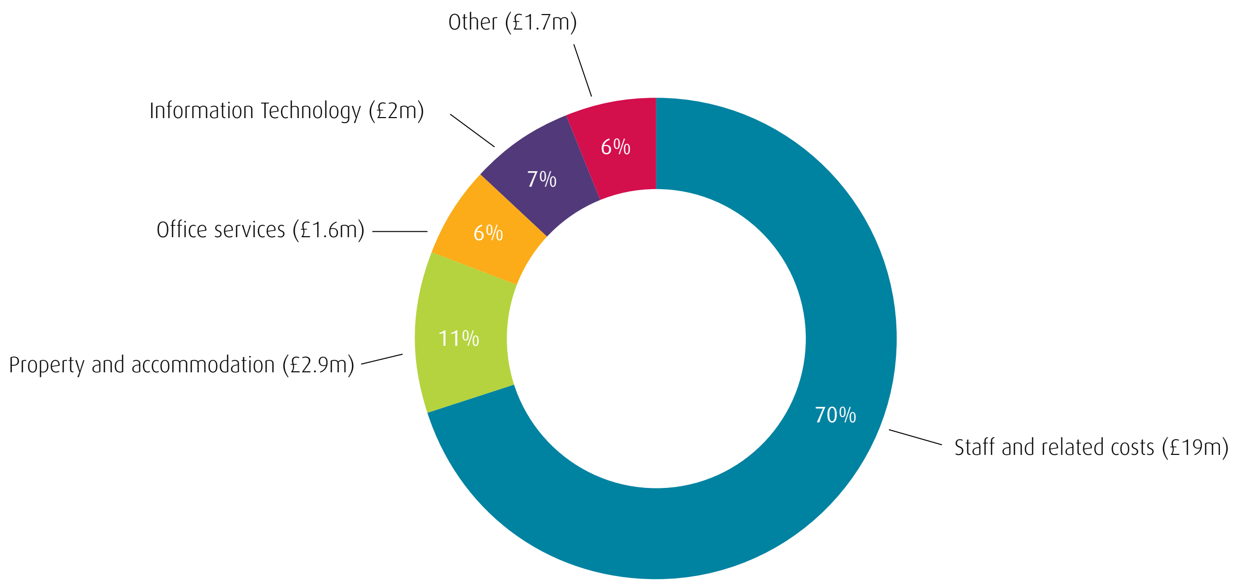
**12.9%** of staff with a declared disability, nearly twice the Civil Service average

## 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.

# Organisational performance and change

## Our finances - an overview




We are funded by the Government and in the financial year 2011-12 spent a total of £27.2m on our operating activities and £0.16m on capital investment.

Our spending settlement was front-loaded for financial years 2011-12 and 2012-13 to enable us to make the changes to staff structures and investment in systems required for the years ahead.

## Improving our business systems

In order to help charities continue the journey online, we are investing in our internal and outward facing information infrastructure. This year, we negotiated new contractual arrangements to support core ICT, infrastructure and telephone systems, which will modernise our systems at minimum cost.

We have also worked to make our offices more efficient, by continuing to develop flexible office environments.

## Our commitment to Better Regulation

For the first time this year, all departments are required to report on their progress against the Government's Better Regulation challenge.

The Charity Commission is committed to right-touch regulation of charities and we welcome the opportunity, provided by the Government's wider programme of promoting Better Regulation, to highlight our progress in ensuring our regulatory touch is proportionate, while ensuring charities are accountable to the public.

### One-in, One-out

The primary regulation for which we are responsible is the Annual Return regulation. Our proportionate approach to the annual reporting framework for charities is set out on in part two of this report under *Accountability in action*. In summary, the framework takes account of charities' size, requiring more detailed reporting from larger charities than those with small incomes, which are likely to be managed entirely by volunteers.

This year, the Annual Return regulations were left largely unchanged. We made a minor change to help our efforts to explore, with Companies House, establishing a single point of annual reporting submissions for charitable companies.

We hope that, during the course of 2012-13, the new legal structure for charities, the Charitable Incorporated Organisation (CIO), will become available to charities (The regulations which complete the legal framework for CIOs have yet to be debated by Parliament).

While charities have been excluded from the Statement of New Regulation that introduces the One-in, One-out rule, we are committed to ensuring that any additional requirements placed on charities are accompanied by a review of existing requirements.

More generally the main focus of our efforts to improve the charity regulation framework is via Lord Hodgson's review of charity legislation (see part three of this report, under *Review of the Charities Act*). Any proposals taken forward by the Government after the review will be subject to the One-in, One-out principle.

### Red Tape Challenge

Our focus this year has been on our contributions to Lord Hodgson's review of charity legislation as the best vehicle for taking forward changes in charity regulation. As part of our contribution we have developed a range of proposals, drawing on the principles of Better Regulation, designed to make it easier for trustees to run their charities as they think best. In particular, many of them would reduce the need for charities to seek our permission for a range of actions. If they are implemented they will reduce the burden on trustees and charities. Our proposals have been submitted to Lord Hodgson's review and we look forward to their acceptance in principle by the review and government.

Applying a similar approach to the regulatory framework as it is, we continue to develop a range of online forms to streamline our processes to make it easier for charity trustees to interact with the Commission. This year we have introduced new or improved online forms in several areas including changing a charity's name or governing document, spending Permanent Endowment and requests for a governing document or other documentation. We continue to look for improvements in this area.

### Sunsetting Regulations

We review our Annual Return regulations every year and will include a sunsetting clause in draft regulations on Total Return that are in preparation in connection with the Trusts (Capital and Income) Bill. The Ministry of Justice is responsible for the Bill itself.

### Impact Assessment

We have this year contributed to Impact Assessments prepared by the Cabinet Office, but we have not introduced changes to the reporting framework for charities that required the preparation of an Impact Assessment.

### Alternatives to regulation

As set out in the foreword to this report, we are taking a proactive approach to regulation, which encourages accountability and compliance among charities, without always requiring direct regulatory intervention. Our approach to marking the online Register entries of charities that have failed to file their annual documents on time is an example of this. This has increased compliance rates and we are currently exploring further ways of offering charities incentives to comply.

Our new approach to working with our partners in the sector and beyond to promote good governance and compliance and self-reliance among charities is a further example of proactive, right-touch regulation that recognises alternatives to direct regulatory interventions (see part three of this report under *Working with partners*).

### EU regulations

We have contributed, via the Cabinet Office, to the government's recent Explanatory Memorandum on the European Commission's proposed Statute for European Foundations (broadly, proposals for a pan-European form of charity).

## Managing complaints about the Commission's service

In 2011-12, the Commission considered 61 complaints about its services. The majority of these (48) related to service user dissatisfaction about the outcome of one of the Commission's operational cases. A small number (13) related to the standard of service delivered by the Commission, for example, complaints about delay, bias or other case-handling issues.

| | 2010-11 | 2011-12 |
|---|---|---|
| Overall number of complaints | 59 | 61 |
| Complaints about standard of service | 10 | 13 |
| Of these: | | |
| Complaints where at least one element of complaint was fully upheld | 3 (30%) | 1 (8%) |
| Complaints where at least one element of complaint was partially upheld | 1 (10%) | 6 (46%) |
| Complaints where no elements were upheld | 6 (60%) | 6 (46%) |
| Complaints about operational outcomes | 49 | 48 |
| Of these: | | |
| Complaints where at least one outcome was fully overturned | 6 (12%) | 1 (2%) |
| Complaints where at least one outcome was partially overturned | 2 (4%) | 4 (8%) |
| Complaints where no outcomes were overturned | 41 (84%) | 43 (90%) |

Two organisations, Centre for Effective Dispute Resolution (CEDR), and ch&i associates (ch&i), act jointly as the Commission's Independent Complaints Reviewers. During the year, CEDR and ch&i considered 21 complaints, of which 12 were subject to full examination, while 9 were assessed as not having met the published eligibility criteria for the ICR scheme. In the 12 cases which were examined fully, 4 complaints were fully upheld, and 1 was partially upheld.

One complaint about the Commission has been accepted for examination by the Parliamentary Ombudsman in 2011-12 and this is still under consideration.

# Organisational performance and change

## Sustainability Report for year ended 31 March 2012

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 SDiG targets (Sustainable Development in Government). Our performance against each of the four SDiG targets is set out in the following table.

Where our records are incomplete, we have made reasonable estimates based on the information available, this is identified by an "(e)" in the following performance tables.

### 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 is 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.

| SDiG target | Commission performance | Target achieved |
|---|---|---|
| By 2015 we will reduce greenhouse gas emissions by 25% from a 2009-10 baseline from the whole estate and business related transport. | Scopes 1 and 2 – 28% reduction achieved (Note 1) | Yes |
| | Scope 3 – 47% reduction (Note 2) | Yes |

| Detailed analysis of performance | | 2009-10 | 2010-11 | 2011-12 |
|---|---|---|---|---|
| Non-financial indicators (tonnes of CO2) | Total gas emissions from Scopes 1 and 2 | 1,073 | 793 | 708 |
| | Gross emissions Scope 3 Business Travel | 113.99 | 97.86 | 60.85 |
| Related energy consumption (kwh) | Electricity | 1,339,085 | 1,054,242 (e) | 984,439 (e) |
| | Gas | 1,212,870 | 700,315 | 613,408 |
| | LPG | 0 | 0 | 0 |
| | Other | 0 | 0 | 0 |
| Financial indicators (£k) | Expenditure on Energy | 186 | 130 | 136 |
| | CRC Licence Expenditure | 0 | 3 | 1 |
| | Expenditure on Official Business Travel | 381 | 278 | 213 |

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.

Waste

| SDiG target | Commission performance | Target achieved |
|---|---|---|
| By 2015 we will reduce the amount of waste we generate by 25% from a 2009-10 baseline. | We are on line to reduce the amount of waste we generate by 2015.<br><br>We have reduced the amount of paper we use by 8% from 2010-11 to 2011-12. | Yes |

| Detailed analysis of performance | | | 2009-10 | 2010-11 | 2011-12 |
|---|---|---|---|---|---|
| Non-Financial Indicators (to the nearest tonne) | Hazardous waste | The Commission does not generate hazardous waste | | | |
| | Non hazardous waste | Landfill | 47 | 9 (e) | 4 (e) |
| | | Reused/Recycled | 80 | 60 (e) | 55 |
| | | Incinerated/energy from waste | 0 | 0 | 0 |
| Financial Indicators (£k) | Total disposal cost | | 14 | 17 | 13 |
| | Hazardous waste | The Commission does not generate hazardous waste | | | |
| | Non hazardous waste | Landfill | 3 | 3 | 0.5 |
| | | Reused/Recycled | 11 | 14 | 12.5 |
| | | Incinerated/energy from waste | 0 | 0 | 0 |

Water Consumption

| SDiG target | Commission performance | Target achieved |
|---|---|---|
| By 2015 we will reduce water consumption from a 2009-10 baseline and report on office water use against best practice benchmarks. | Water continues to reduce, but when reporting against best practice benchmarks we reflect poor practice in both our offices reported on | **Yes**<br>Water has decreased by 44% since 2009-10. We now need to work on best practice benchmarks. |

| Detailed analysis of performance | | | 2009-10 | 2010-11 | 2011-12 |
|---|---|---|---|---|---|
| Non-Financial Indicators ($M^3$) | Water Consumption | Supplied | 4,488 | 3,197 (e) | 2,495 (e) |
| | | Abstracted | 0 | 0 | 0 |
| Financial Indicators (£k) | Water supply costs | | 8 | 7 (e) | 6 (e) |

These tables have been prepared in accordance with guidelines laid down by HM Treasury in 'Public Sector Sustainability Reporting' published at www.financial-reporting.gov.uk. Defra/DECC GHG Conversion Factors were used to calculate our CO2 emissions.

## 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 sub-let part of our Liverpool office to two other government departments and have streamlined our Taunton office to release vacant space, part of which will be sublet to another government department in April 2012. The remaining vacant space is being advertised and we hope to get further tenants in the future.

We continue to use video conferencing rather than travel wherever possible and where travel is essential the use of public transport is encouraged. We are participating in the government shared meeting facilities scheme, allowing other government departments to use our facilities.

We are implementing several requirements of the Greening Government ICT Report including actions such as recently signing a contract to move to energy efficient desktop using thin client devices in a hosted data centre. We will work over the next two years to close our data centres on our premises by moving services to shared facilities.

Part 5

# Annual Accounts

## Contents

# Annual Accounts

## Management Commentary

This management commentary is prepared and published as part of the Charity Commission's (the Commission's) Resource Accounts for 2011-12, as required by the Financial Reporting Manual (FReM) produced by HM Treasury.

### Governance Arrangements

Our governance structures and processes are set out within the *Governance Statement* section of these Resource Accounts.

### 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 declared, 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 Senior Civil Servant 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 if required withdraw from related Commission business and discussions.

The Commission's approach to conflict of interest issues and its Register of Interests listing all relevant interests, both current and past, of Board and Committee Members and the Chief Executive is published on our website at:
http://www.charitycommission.gov.uk

## 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. The cost of audit work was £59,400 (£59,400 for 2010-11). In addition, a notional fee of £1,800 was charged in 2011-12 for the audit of the Official Custodian of Charities' 2011-12 Financial Statements (£1,800 in 2010-11), the cost of which is met by the Commission. No payments were made to the NAO in 2011-12 for non-audit work undertaken (£nil in 2010-11).

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.

## 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 2011-12

| 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 2011-12 | | |
|---|---|---|
| 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 | 0 |
| IV | Unauthorised disclosure *(see Governance Statement for further detail)* | 8 |
| V | Other | 0 |

| Table 3: Year-on-year total numbers of protected personal data related incidents prior to 2011-12 | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 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 |
| 2010-11 | - | - | - | - | - | - | 2010-11 | | | 1 | 5 | 5 | 11 |
| 2009-10 | - | - | - | - | - | - | 2009-10 | - | - | - | 2 | 3 | 5 |
| 2008-09 | - | - | - | - | - | - | 2008-09 | - | - | 1 | 1 | - | 2 |
| 2007-08 | - | - | - | - | - | - | 2007-08 | - | - | - | - | - | - |
| 2006-07 | - | - | - | - | - | - | 2006-07 | - | - | - | - | - | - |

The number of personal data related incidents has risen over a period of five years 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.

In July 2010, the Coalition Government also introduced a number of actions that all Departments were 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 recruitment from outside of the civil service initiated since 1 April 2010. We have reduced the number of temporary staff from two as at 1 April 2011 to none by 31 March 2012 and implemented a freeze on the engagement of agency staff. To further 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. In 2011-12, approximately 448 square metres in Liverpool and 420 square metres in Taunton were sublet to other occupiers.

Internal approval procedures remain in place governing the expenditure of funds on consultancy, publicity and advertising. Any expenditure on consultants totalling 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 has been no consultancy expenditure captured by these requirements in 2011-12.

The Commission has received no sponsorship payments in 2011-12 (£nil in 2010-11).

## Payment of Suppliers

The Commission is committed to the Confederation of British Industry's (CBI) 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 87% (80% in 2010-11).

## Our Funding

Our baseline funding for 2011-12 was £28m. The following table sets out our funding limits for the Spending Review period (2010-11 – 2014-15). The Annual Report provides further commentary on how the Commission reviewed its activities and priorities, restructuring to operate within these reduced funding levels.

| Funding limits for the Charity Commission for the 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 | 27,580 | 26,420 | 22,730 | 22,000 |
| of which non-ring-fenced | | 26,100 | 25,650 | 21,930 | 21,150 |
| of which ring-fenced for depreciation | | 1,480 | 770 | 800 | 850 |
| Total Capital DEL | 700 | 493 | 361 | 325 | 412 |
| *Annual reduction in non-ring-fenced revenue DEL* | 3.0% | 6.0% | 3.2% | 14.0% | 3.2% |

## Results for the year

The overall financial position remains satisfactory. Although this has been a challenging year, we have managed our resources well and maintained expenditure within the funding that we received.

The Commission has returned a small revenue surplus of £0.34 million (2010-11: £0.37 million), which represents 1.2% of our funding for the year. The following table shows a comparison of our expenditure between resource estimates, resource accounts and our budget.

The Spending Review allocation added a particular impetus to our fundamental strategic review. This review resulted in a new three-year strategy for the Commission and a fundamental re-structuring of the organisation to deliver the strategy within the new expenditure limits. Key points of, and changes arising from, the strategy include:

- A flatter, less hierarchical management structure, with the abolition of 'Director' posts and a move to a Senior Management Team where the Heads of each main business function report directly to the Chief Executive;
- Renewed focus on core regulatory activities, with a move to partnership working with sector representatives to deliver on 'best practice' and development issues that aim to enhance the regulatory environment where the Commission has no specific statutory locus; and
- A financial plan that allows the Commission to live within its financial limits whilst delivering on its statutory responsibilities.

Full details of the Commission's 2012-15 strategy can be found at: http://www.charitycommission.gov.uk/About_us/About_the_Commission/strategic_plan_2012.aspx

| Comparison of resource expenditure between estimates, accounts and budget | | |
|---|---|---|
| | 2011-12<br>£'000s | 2010-11<br>£'000s |
| **Net Resource Outturn (Estimates)** | 27,749 | 30,778 |
| 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)** | 26,836 | 28,830 |
| 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 |
| Other Adjustments | | |
| **Resource Budget Outturn (Budget)** | 26,836 | 28,832 |
| Of which: | | |
| - Departmental Expenditure Limits (DEL) | 27,236 | 29,405 |
| - Annually Managed Expenditure (AME) | -400 | -573 |

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 | 27,979 | 357 | 26,786 |
| Spring Supplementary Estimate | (400) | 136 | (264) |
| Final limit | 27,579 | 493 | 26,522 |
| Performance against limits | | | |
| Expenditure incurred | 27,236 | 166 | - |
| Cash drawn down | - | - | 23,806 |
| Performance within funding limit? | ✓ | ✓ | ✓ |

Capital expenditure was lower than the final limit of £493k due to the accounting treatment of a £264k VAT reclaim which could not be retained by the Commission.

## 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 | Sam Younger |
| 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.

For 2012-13, the responsibilities of the SCS Pay Committee will be subsumed into a new Governance and Nominations Committee.

### 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)

| | 2011-12 Salary (£'000s) | 2011-12 Bonus payments (£'000s) | 2010-11 Salary (£'000s) | 2010-11 Bonus payments (£'000s) |
|---|---|---|---|---|
| Dame Suzi Leather DBE *<br>Chair | 80-85 | 0 | 80-85 | 0 |
| Sam Younger CBE **<br>Chief Executive | 130-135 | 0-5 | 125-130 | 0 |
| Kenneth Dibble<br>Director (until 1 December 2011, thereafter Chief Legal Adviser) | 105-110 | 0 | 105-110 | 0 |
| Rosie Chapman (until 31 May 2011)<br>Director | 10-15<br>(85-90 full year equivalent) | 0 | 85-90 | 0 |
| Nick Allaway<br>Director (until 1 December 2011, thereafter Head of Business Services) | 85-90 | 0-5 | 85-90 | 0-5 |
| David Locke<br>Director | 75-80 | 0 | 75-80 | 0 |
| Simon Jones<br>Board Member | 5-10 | 0 | 5-10 | 0 |
| Sharmila Nebhrajani<br>Board Member | 5-10 | 0 | 5-10 | 0 |
| Theo Sowa CBE<br>Board Member | 5-10 | 0 | 10-15 | 0 |
| Simon Wethered<br>Board Member | 15-20 | 0 | 15-20 | 0 |
| John Wood<br>Board Member | 15-20 | 0 | 15-20 | 0 |
| John Knight<br>Board Member | 5-10 | 0 | 5-10 | 0 |
| Highest Earner's Total Remuneration (£'000s) | 130-135 | | 125-130 | |
| Median Total Remuneration | 28,379 | | 28,806 | |
| Ratio | 4.6 | | 5.2 | |

* Dame Suzi Leather is a part time non-executive appointed on a three year fixed term contract, which was extended by a further three years. Dame Suzi's home base is out of London. In addition to the above, and in accordance with her contract of employment, Dame Suzi incurred £11,529 in hotel and travel costs to allow her to fulfil her Charity Commission commitments in London (£19,433 in 2010-11). The Charity Commission meets the resulting tax liability for these costs.

** Sam Younger CBE was appointed for a period of three years commencing on 1 September 2010.

All Board Members serving in 2011-12 received a daily fee of £350. No pension contributions are paid. 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 2010-11).

"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.

The Chief Executive, four directors and two senior lawyers are Senior Civil Servants. During 2011-12, the salary of one of these lawyers fell within the band £65,000 to £70,000 (£65,000 to £70,000 in 2010-11) and the other fell within the band £70,000 to £75,000 (£70,000 to £75,000 in 2010-11).

## 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 2011-12, 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

| | Accrued pension at age 60 at 31 March 2012 and related lump sum (£'000s) | Real increase in pension and related lump sum at age 60 (£'000s) | CETV at 31 March 2012 (£'000s) | CETV at 31 March 2011 (£'000s) | Real increase in CETV (£'000s) |
|---|---|---|---|---|---|
| Suzi Leather DBE Chair | 15-20 Plus 45-50 Lump sum | 0-2.5 Plus 2.5-5 Lump sum | 313 | 273 | 17 |
| Sam Younger CBE Chief Executive | 5-10 | 2.5-5 | 83 | 30 | 46 |
| Kenneth Dibble Director (until 1 December 2011, thereafter Chief Legal Adviser) | 50-55 Plus 155-160 Lump sum | (0-2.5) Plus (2.5-5) Lump sum | 1,115 | 1,108 | 1 |
| Nick Allaway Director (until 1 December 2011, thereafter Head of Business Services) | 30-35 Plus 95-100 Lump sum | (0-2.5) Plus (0-2.5) Lump sum | 614 | 575 | -11 |
| Rosie Chapman Director | 10-15 Plus 0-5 Lump sum | 0-2.5 Plus 0-2.5 Lump sum | 224 | 209 | -29 |
| David Locke Director | 10-15 | 0-2.5 | 170 | 154 | 7 |

## 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). These contribution rates were increased from 1 April 2012.

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 (CETV)

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

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out 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 left under the Civil Service Compensation Scheme (CSCS) Voluntary Exit terms on 31 May 2011, receiving a compensation payment within the band £50,000 to £100,000. This payment was recognised in the 2010-11 Resource Accounts although it was not payable until the date of exit.

David Locke left under the CSCS Voluntary Exit terms on 6 April 2012, receiving a compensation payment within the band £50,000 to £100,000. This payment is recognised in the 2011-12 Resource Accounts although it was not payable until the date of exit.

Sam Younger CBE
Chief Executive and Accounting Officer

## 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*.

## Governance Statement

The Commission is the independent regulator of charities in England and Wales. We are responsible for registering charities, ensuring that they meet their legal requirements and operate for the benefit of the public. Our strategic priorities are:

- to increase public trust and confidence in charities;
- to promote awareness and understanding of the operation of the public benefit requirement;
- to promote compliance by charity trustees with their legal obligations in exercising control and management of the administration of their charities;
- to promote the effective use of charitable resources; and,
- to enhance the accountability of charities to donors, beneficiaries and the general public.

### THE COMMISSION'S BOARD

The Commission's leadership comprises a Board who provide strategic direction and oversight and a senior management team responsible for management and performance.

Our Board members are recruited in open competition regulated by the Office of Public Appointments. The appointments are made by Ministers in line with the Charities Act 2011. The appointment of the Chair of the Board is additionally subject to a pre-appointment hearing before Parliament's Public Administration Select Committee (PASC).

The Commission's Board is chaired by Suzi Leather DBE who was appointed in August 2006. Dame Suzi's appointment was for a period of 6 years in total and will come to an end in July 2012.

The Charities Act 2011 (Schedule 1) requires a minimum of four and a maximum of eight members. Two of those members must be legally qualified and at least one must know about charity conditions in Wales. The Act stipulates that the Board, collectively, must have knowledge and experience of: the law relating to charities, charity accounts and the financing of charities and the operation and regulation of charities of different sizes and descriptions. Each Board member may serve for a term of three years, renewable to a maximum of ten years.

The Board acts independently of senior management in line with a formal governance framework. It is responsible for:

- ensuring the Commission effectively fulfils its statutory objectives, general functions and duties and appropriately exercises the legal powers vested in it under the Charities Act 2011 and other legislation;
- determining the overall strategic direction of the Commission and ensuring the availability of resources;

- monitoring the performance of the Chief Executive Officer and his team and holding them to account for the exercise of powers, the delivery of plans and the performance of budgets;
- promoting and protecting the Commission's position, values, integrity, image and reputation; and,
- ensuring high standards.

In 2011–12 there were seven Board members. Seven Board meetings took place. Details of Board members and their attendance at meetings are included in Annex A.

A further two public events were held, including our annual public meeting. Both meetings gave members of the public an opportunity to ask questions about our role and work.

In 2011–12, none of our Board members reported any appointments, consultancies or other arrangements which could create an unmanageable conflict with their positions on the Board. One member - Sharmila Nebhrajani - took up the Chief Executive role at the Association for Medical Charities. This has been recorded on the Commission's Register of Interests but is not deemed to create a conflict of interest.

## Key Decisions of the Board in 2011-12

The Board's main focus for much of the 2011-12 cycle was on the implementation and approval of the strategic review following the 33% reduction in the Commission's funding. The Board agreed the restructuring and implementation plan in April 2011, with staffing levels agreed in July 2011. In addition to the quarterly discussions on finance, corporate performance and risk, other significant issues considered and approved in the year were:

- our 2010-11 annual report to Parliament and accounts;
- our new Risk and Proportionality framework to explain our approach to regulatory activity;
- our approach to the Review of the Charities Act;
- our Staff Survey Action Plan;
- the establishment of a Freedom of Information Committee;
- our approach to Board recruitment/succession planning;
- our 2012-15 strategic plan;
- our strategies on ICT contract procurement, diversity and equality;
- regulatory strategies on Fraud and Financial Crime and partnership working;
- trustee qualification and disqualification and issues relating to charitable 'think tanks';
- strategies for renewing our office accommodation in London;

- our new strategic risk management process; and,
- procedures to develop assurance activities through a process of annual business assurance reviews to be carried out by Commission staff.

In addition the Board is engaged throughout the year with decision making or appeals on high profile cases in respect of registration or investigative work relating to charities.

The Board's work is supplemented by two committees.

### Audit Committee

The Audit Committee takes a lead role in ensuring the adequacy of our risk management, internal controls, efficient and effective use of public funds and financial governance arrangements. Its terms of reference were last revised in April 2011.

Two of our three Audit Committee members, including the Chair, are members of the Board. The third member is independently recruited by the Board through open competition to provide an external and independent perspective. Membership and attendance at Audit Committee meetings are set out in Annex A.

Audit Committee meetings are attended routinely by the Chief Executive, Head of Business Services, Head of Finance and Secretary to the Committee. The Commission's internal and external auditors also attend.

The Audit Committee met five times in the year. Material business reviewed and/or approved included:

- the annual accounts;
- our new strategic risk management process;
- internal and external audit strategy for 2012-2013;
- ongoing financial performance;
- self-assessment using the National Audit Office's Financial Maturity Model;
- self-assessment using the Treasury's tool for Managing the Risk of Financial Loss;
- IT outages/unplanned incidents and sickness absences and checking that corrective action was effective;
- options for replacing our desktop computing and telephony contracts, resulting in a recommendation to the Commission's Board; and,
- procedures to develop assurance activities through a process of annual business assurance reviews to be carried out by Commission staff.

The Audit Committee undertakes a review of its effectiveness each year and its annual report of its activities was made to our Board in May 2011.

### Senior Civil Service Pay Committee/Pay and Nominations Committee

During 2011-12 our Senior Civil Service (SCS) Pay Committee exercised its responsibility for reviewing the performance and remuneration of the Commission's Senior Civil Servants when it met in November 2011. Members of the committee are detailed in Annex B. Our Head of HR, Sarah Bailey, and Reward and Employee Relations Officer, John Kavanagh, also attend the committee.

As a matter of good practice, our Board agreed late in 2011 to replace the SCS Pay Committee with a Pay and Nominations Committee, reflecting the provisions set out in "Corporate Governance in Central Government Departments: code of good practice"[1]. Arrangements are in hand to establish this committee which will ensure that there are satisfactory systems for identifying and developing leadership and high potential, scrutinise the incentive structure, scrutinise governance arrangements and take responsibility for succession planning for the Commission's Board and senior leadership. Pay strategy and related matters for all Commission staff will also be within the new committee's ambit.

### Management

The Board delegates day-to-day operational and policy delivery to the Chief Executive Officer (CEO), Sam Younger CBE, who is also the Commission's Accounting Officer appointed by Treasury. The CEO heads the Senior Management Team (SMT). Together, they take collective responsibility for setting the Commission's strategic plan, planning business activities, stewardship of resources and management of financial and operational performance and risk.

Following an extensive strategic review which concluded in 2012, the senior management structure was streamlined and reduced by one full tier. Eight new functional strands were created, headed by 11 senior managers, all of whom took up their SMT roles on 1 October 2011. Prior to this date, a team of 4 Executive Directors provided leadership under the direction of the Chief Executive. Annex A provides further information about the Commission's senior management during the year.

The SMT meets each month to discuss key business. They also attend each Board meeting thus ensuring frequent contact with Board members and regular opportunity to discuss key business items.

Further to routine meetings, three SMT Awaydays took place during the period. The first took place in June 2011 - in advance of the formal establishment of the SMT – to enable planning about resourcing and structures emerging from the strategic review. In November 2011 the SMT met to consider the Commission's corporate approach to risk post strategic review, focusing particularly on external risks

1 The Commission is a non-Ministerial Government Department and is not therefore bound formally by the provisions of the code of good practice.

and anticipated events in the year ahead. At the final event in January 2012, the SMT met to review key investment priorities for 2012-13 and to approve selected innovation projects to go ahead from a range of ideas suggested by Commission staff.

## STRATEGIC REVIEW

2011-12 was a period of considerable change for the Commission. As a result of our extensive strategic review - commenced in 2010 - we restructured our workforce to ensure that we were able to deliver our statutory priorities in the light of our reducing budget settlement from Treasury. Over the year we reviewed all of our functions to determine how best to deliver our strategic priorities.

The review involved extensive consultation with both our stakeholders and staff, to ensure that we gained the widest possible views about how our work could be most effective. The review posed several risks to the Commission's service delivery; it was necessary to ensure that staff morale was managed, that high quality staff were retained, that there was continuity of services throughout the period of extensive change and that redeployment and exit arrangements were properly managed.

Progress of the strategic review was initially overseen by our Board and, in its later stages, a strategic review Programme Board, comprising Board members and senior staff. Their role was to ensure that the vision of the new Commission was articulated, that the various work stream reviews were thorough and timely and that the change management process was efficiently and effectively managed. A bespoke strategic review Risk Register, a Gantt chart and an action and issues log were reviewed at each Programme Board meeting.

As an additional special measure our internal auditors, PKF, undertook a review of our approach to Workforce Change Management during the early stages of the strategic review to provide assurance that the change management process was being effectively and efficiently managed. The audit resulted in a rating of 'Adequate'.

## ACCOUNTABILITY AND ASSURANCE

### Accountability

The Commission is held accountable in a number of ways. It is accountable to Parliament, through:

- the Commission's annual report which is laid before Parliament by HM Treasury;
- annual auditing of the Commission's accounts by the National Audit Office (NAO);
- appearance before the PASC on matters related to the regulation of charities and our performance in this regard;
- periodic reports by the NAO on the economy, efficiency and effectiveness with which the Commission uses its resources;

- periodic examinations by the House of Commons' Public Accounts Committee (PAC); and,
- review of complaints by the Parliamentary Ombudsman.

We also:

- publish our performance against targets;
- consult before introducing major new policies or operational practices;
- publish information regarding the operation of the Board, and where appropriate minutes of meetings and reports;
- hold an annual public meeting to review performance;
- publish Inquiry Reports and key decisions;
- have an internal review process that allows the Commission's decisions to be challenged without having to go to the Tribunal or to the High Court and gives reasons for decisions to people or charities affected by them (unless there are compelling reasons of financial or personal confidentiality for not doing so); and,
- operate a robust and accessible complaints process.

## Internal Control

Our system of internal control is designed to manage risk to a reasonable level consistent with our appetite for risk, rather than to eliminate all risk to the achievement of our strategic and operational purposes. Our system was in place throughout the year and incorporates a range of 'prevent' and 'detect' controls together with segregation of duties embedded within all key financial processes. During January 2012, following a Treasury-led initiative, the Head of Finance reviewed the risk of financial loss occurring across payroll, procurement and expense systems, the results of which were discussed with the Audit Committee.

No significant internal control problems arose during 2011-12 nor were there any detected incidents of fraud.

## Internal Audit

The Commission's core systems are subject to regular review by Internal Audit who provide assurance ratings and recommendations to improve our governance, risk management and internal control. PKF were originally appointed in April 2008 following open competition. They concluded 8 audits during the year, covering both core functions and specific topical activities.

In total, PKF made 35 recommendations from their audit work, of which only 5 were classified as being high priority and have now been dealt with. No significant control failures were identified. Each internal audit report is reviewed by our Audit Committee who also monitor progress made against recommendations made by PKF. Formal approval is required from the Audit Committee for any extensions to target times for completing recommendations.

Based on the audit work carried out during the year, PKF rated the Commission's governance, risk management and internal control arrangements as adequate and effective.

### External Audit

The Comptroller and Auditor General (C&AG) is responsible for auditing the Commission's accounts and reporting the results to Parliament. He provides an audit certificate with his opinion on the truth and fairness of the accounts and regularity of the underlying transactions.

In May 2012 the Audit Committee considered the external audit interim management report. This report confirmed that the external auditors had not identified any significant weaknesses which could give rise to a material misstatement in the accounts. Any additional findings presented within the final audit report will be duly addressed by management in 2012-13.

### Performance Reporting

Each year the Commission establishes indicators against which to measure its performance. These were revised during the year to ensure that they measure performance relevant to our new operating model and strategy. We prepare a regular Performance Dashboard report which provides a Red, Amber or Green rating for each indicator and identifies whether performance is improving or worsening. Through this system the Board and SMT are able to review performance on a regular basis and identify corrective action to ensure that performance remains on track.

### Business Continuity

Our corporate business continuity policy is underpinned by site-specific plans plus local plans held by each separate function. Testing of the plan was suspended during 2011-12 due to our strategic review when there were several changes to team structures and personnel. It will resume in 2012-13. We are presently streamlining our process to ensure that our corporate business continuity policy is underpinned by a proportionate approach specifically tailored to each of our new divisions.

### Data Security

Our Head of Information Management is responsible for ensuring that information we hold is properly safeguarded. During the year eight minor security breaches were logged all of which were unauthorised disclosures of information. We were not required to report any of these incidents to the Information Commissioner's Office.

### Payroll Audit

The Commission receives a fully managed payroll service from Logica (who provide payroll services to 82 government bodies). Treasury Group Internal Audit performed their annual review of the Logica payroll system. The audit scope was designed specifically to provide assurance regarding the completeness, accuracy, authorisation, availability and confidentiality of the payroll arrangements managed and controlled by Logica. As in the previous year, the overall audit opinion has been rated 'Green' - there is an effective system of risk management, control and governance in place to address the risk that outlined payroll objectives are not fully achieved.

## REVIEW OF GOVERNANCE FRAMEWORK

In line with the requirement to assess its own effectiveness, our Board undertook a comprehensive review of the governance framework, which commenced in 2010-11 to ensure that governance structures, policies and processes remained fit-for-purpose and in line with best practice. We consulted internally and externally as part of this process.

The results were positive, with a number of recommendations made to improve further the proportionality of our governance arrangements and to reflect developments in current governance good practice. The changes were incorporated into the revised governance framework, which the Board adopted formally in November 2011. A material consequence of these revisions is our fresh approach to Board meetings. We have reduced the number of planned Board meetings from eleven to six, reduced the number of papers presented and ensured that Board discussions and papers focus only on strategic considerations. Our open meetings, which may be attended by any member of the public, have also changed in style and content so that we can theme presentations and discussions around topical sector issues. All of our workforce was made aware of these changes to our governance framework through internal messages and reports.

## RISK MANAGEMENT

Our risk management activity is directed at identifying and addressing risks upfront rather than dealing with their consequences. Our approach considers both the likelihood and impact of specific risks. In particular we seek to:

- safeguard our services, reputation, projects, assets and information security and minimise the possibility of any organisational failure; and,
- identify, report and manage risks that are directly linked to the achievement of our aims, objectives and priorities and monitoring them on a regular basis.

The risk management system we operate was in place throughout the year with each SMT member responsible for managing risks within their own function. We undertook a fundamental mid-year review of our approach to corporate risk management at the conclusion of our strategic review to create a more dynamic response to risk. Our new process, which was approved by our Board in March 2012, identifies emergent or short to medium term risks as well as longer term strategic risks. Our Strategic Risk Register (SRR) catalogues each risk and its trend and is reviewed and revised by SMT at each of their monthly meetings. The SRR is reviewed at each meeting of the Audit Committee and considered twice per year by our Board.

A separate strategic review risk register was maintained throughout the period of the review to ensure that the specific risks integral to the SR were addressed.

Turning to our operational work, we reviewed our Risk and Proportionality (R&P) Framework during the year as part of the strategic review process. All work is now assessed and prioritised using a corporate R&P tool and this has led to greater consistency in our regulatory activity as well as the service we provide to the public.

## REVIEW OF EFFECTIVENESS OF INTERNAL CONTROL

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 managers within the Commission who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee and a plan to address weaknesses identified through internal or external audit, and ensure continuous improvement of the system has been established and acted upon.

At the end of the year, assurance was provided by heads of each function who 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.

The internal auditors have concluded that, in their opinion, for the year ended 31 March 2012, 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

Date: 20 June 2012

## GOVERNANCE STATEMENT - ANNEX A

### BOARD AND COMMITTEE MEMBERS WHO SERVED IN 2011-2012

| | |
|---|---|
| Suzi Leather DBE | Chair. Joined August 2006. Her appointment ends in July 2012. |
| Simon Jones | Member with special interest in Wales and Audit Committee member. Joined July 2007. His appointment ends in July 2013. |
| John Knight CBE | Joined December 2009. His appointment ends in November 2012. |
| Sharmila Nebhrajani | Chair of the Audit Committee. Joined July 2007. Her appointment ends in July 2012. |
| Theo Sowa CBE | Joined July 2007. Her appointment ends in July 2013. |
| Simon Wethered | Legal Commissioner. Joined July 2007. His appointment ends in July 2012. |
| John Wood | Legal Commissioner. Joined February 2008. His appointment ends in January 2014. |

### AUDIT COMMITTEE

| | |
|---|---|
| Chair: | Sharmila Nebhrajani |
| Member: | Simon Jones |
| Independent Member: | Christopher Daws. Took up the role in August 2009 with his appointment recently extended until August 2014. |

### SENIOR CIVIL SERVICE PAY COMMITTEE

| | |
|---|---|
| Chair: | John Wood |
| Member: | Dame Suzi Leather |
| Member: | Sam Younger |
| Member: | Theo Sowa |
| Independent Member: | Louise Rose |

SCHEDULE OF MEETINGS ATTENDED BY BOARD AND COMMITTEE MEMBERS

| | BOARD MEMBERS | | | | | | | COMMITTEE MEMBERS | |
|---|---|---|---|---|---|---|---|---|---|
| | Dame Suzi Leather | Simon Jones | Sharmila Nebhrajani | Theo Sowa | Simon Wethered | John Wood | John Knight | Christopher Daws | Louise Rose |
| BOARD MEETINGS | | | | | | | | | |
| April | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| May | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | x | | |
| July | x | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| September | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| November | ✓ | x | x | ✓ | ✓ | ✓ | ✓ | | |
| January | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| March | x | x | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| Attendance % | 71 | 71 | 86 | 100 | 100 | 100 | 86 | | |
| AUDIT COMMITTEE MEETINGS | | | | | | | | | |
| April | | ✓ | ✓ | | | | | ✓ | |
| June | | ✓ | ✓ | | | | | ✓ | |
| September | | ✓ | ✓ | | | | | ✓ | |
| December | | ✓ | ✓ | | | | | ✓ | |
| February | | ✓ | ✓ | | | | | ✓ | |
| Attendance % | | 100 | 100 | | | | | 100 | |
| SCS PAY COMMITTEE MEETING | | | | | | | | | |
| November | ✓ | | | ✓ | | ✓ | | | ✓ |
| Attendance % | 100 | | | 100 | | 100 | | | 100 |

## SENIOR MANAGEMENT

Sam Younger CBE – Chief Executive Officer. Appointed September 2010.

Senior Managers from April 2011 – 1 October 2011

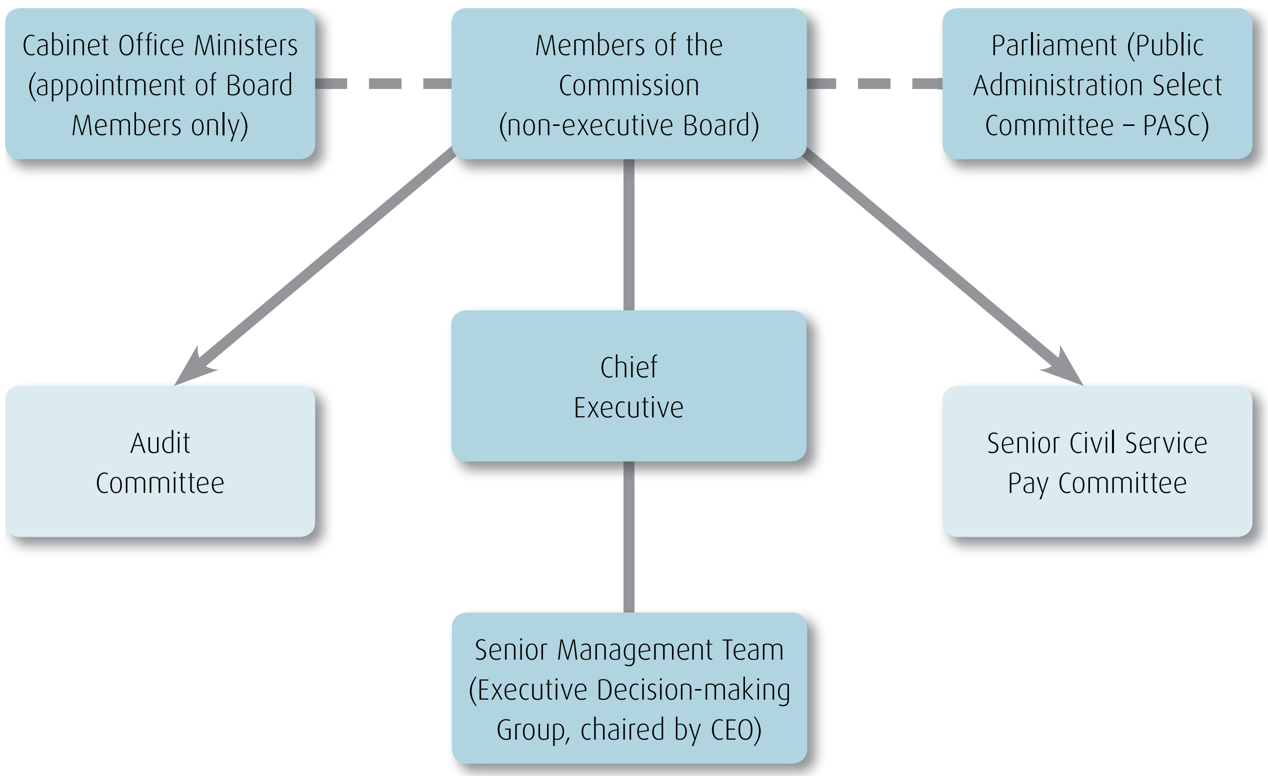
| | |
|---|---|
| Kenneth Dibble | Executive Director of Legal Services, Compliance and International Programme. Took up the new post shown in the following table. |
| Rosie Chapman | Executive Director of Policy and Effectiveness. Resigned under the Commission's Voluntary Exit Scheme. |
| David Locke | Executive Director of Charity Services. Resigned under the Commission's Voluntary Exit Scheme. |
| Nick Allaway | Executive Director of Corporate Services. Took up the new post shown in the following table. |

Senior Managers from 1 October 2011[2]

| | |
|---|---|
| Nick Allaway | Head of Business Services. |
| Sarah Atkinson | Head of Information and Communications. During a period of maternity absence in 2011-12, Charles Cooke and Sarah Miller have served on the senior management team. |
| Neville Brownlee | Head of First Contact. |
| Kenneth Dibble | Chief Legal Advisor, Head of Legal Services and Director of the International Programme. |
| Jane Hobson | Head of Policy. |
| Daisy Houghton | Head of Operations London. (Appointed January 2012, replacing Beryl Hobson who resigned during the year.) |
| Harry Iles | Head of Operations Wales. |
| Lynn Killoran | Head of Operations Liverpool. |
| Neil Robertson | Head of Operations Taunton. |
| Michelle Russell | Head of Investigations and Enforcement. |
| Alison Wells | Head of Registration. |

2 All of the senior managers were previously serving in other posts within the Commission prior to 1 October.

## GOVERNANCE STATEMENT - ANNEX B



## 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 (the Commission) for the year ended 31 March 2012 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply 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 Accounting Officer; 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.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2012 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### 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 2012 and of its 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 Financial Commentary, Sustainability Report and Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the 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 Governance Statement 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

Date: 25 June 2012

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

## Statement of Parliamentary Supply

For the year ended 31 March 2012

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 83 to 106 form part of these accounts.

Summary of Resource Outturn 2011-12

| £'000s | | | | | | | | 2011-12 | 2010-11 |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Estimate | | | Outturn | Voted outturn compared with Estimate: saving/ (excess) | Outturn |
| | Note | Voted | Non-Voted | Total | Voted | Non-Voted | Total | | Total |
| **Departmental Expenditure Limit** | | | | | | | | | |
| - Resource | 3 | 27,579 | 0 | 27,579 | 27,236 | 0 | 27,236 | 343 | 29,405 |
| - Capital | 3 | 493 | 0 | 493 | 166 | 0 | 166 | 327 | 617 |
| **Annually Managed Expenditure** | | | | | | | | | |
| - Resource | 3 | 170 | 0 | 170 | (400) | 0 | (400) | 570 | (573) |
| - Capital | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Budget** | | 28,242 | 0 | 28,242 | 27,002 | 0 | 27,002 | 1,240 | 29,449 |
| **Non-Budget** | | | | | | | | | |
| - Resource | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | | **28,242** | **0** | **28,242** | **27,002** | **0** | **27,002** | **1,240** | 29,449 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Total Resource | | 27,749 | 0 | 27,749 | 26,836 | 0 | 26,836 | 913 | 28,832 |
| Total Capital | | 493 | 0 | 493 | 166 | 0 | 166 | 327 | 617 |
| **Total** | | **28,242** | **0** | **28,242** | **27,002** | **0** | **27,002** | **1,240** | 29,449 |

Net cash requirement 2011-12

| | Note | Estimate | Outturn | 2011-12 Net outturn compared with Estimate: saving/(excess) | 2010-11 Total Outturn |
|---|---|---|---|---|---|
| | | £'000s | £'000s | £'000s | £'000s |
| Net cash requirement | 4 | 26,522 | 23,806 | 2,716 | 27,531 |

Administration Costs 2011-12

| Estimate | Outturn | 2010-11 Total Outturn |
|---|---|---|
| £'000s | £'000s | £'000s |
| 27,579 | 26,804 | 28,604 |

Figures in the areas outlined in bold are voted totals subject to Parliamentary control.

All Estimate and Outturn balances disclosed under the Departmental Expenditure Limit relates to Administration costs. All Estimate and Outturn balances disclosed under Annually Managed Expenditure are classified as Programme costs and relate to transactions in respect of Provisions (see Note 17).

## Statement of Comprehensive Net Expenditure

### for the year ended 31 March 2012

The Statement of Comprehensive Net Expenditure summarises the resources that have been consumed in the financial year in providing the Commission's services.

The notes on pages 83 to 106 form part of these accounts.

| | Note | 2011-12<br>£'000s | 2010-11<br>£'000s |
|---|---|---|---|
| Administration costs: | | | |
| Staff costs | 8 | 17,846 | 19,341 |
| Other Administration costs | 9 | 9,925 | 10,217 |
| Total Administration costs | | **27,771** | **29,558** |
| Programme expenditure: | | | |
| Other costs | 10 | 32 | 226 |
| Operating income | 11 | (967) | (954) |
| **Net Operating Cost** | | 26,836 | 28,830 |

## Statement of Financial Position

as at 31 March 2012

The Statement of Financial Position is a summary of all the Commission's assets and liabilities as at 31 March 2012.

The notes on pages 83 to 106 form part of these accounts.

| | Note | 31 March 2012 £'000s | 31 March 2011 £'000s |
|---|---|---|---|
| Non-current assets: | | | |
| Property, plant and equipment | 12 | 797 | 833 |
| Intangible assets | 13 | 789 | 2,423 |
| *Total non-current assets* | | 1,586 | 3,256 |
| Current assets: | | | |
| Trade and other receivables | 14 | 1,032 | 1,734 |
| Cash and cash equivalents | 15 | 2,716 | 1,569 |
| *Total current assets* | | 3,748 | 3,303 |
| Total assets | | 5,334 | 6,559 |
| Current liabilities: | | | |
| Trade and other payables | 16 | (6,670) | (4,857) |
| Provisions | 17 | (44) | (532) |
| *Total current liabilities* | | (6,714) | (5,389) |
| Total assets less Total current liabilities | | (1,380) | 1,170 |
| Non-current liabilities: | | | |
| Provisions | 17 | (273) | (185) |
| Staff exits | 16 | (513) | (185) |
| *Total non-current liabilities* | | (786) | (370) |
| Assets less liabilities | | (2,166) | 800 |
| Taxpayers' equity: | | | |
| General fund | | (2,166) | 800 |
| Total taxpayers' equity | | (2,166) | 800 |

Sam Younger
Chief Executive and Accounting Officer

Date: 20 June 2012

## Statement of Cash Flows

for the year ended 31 March 2012

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

The notes on pages 83 to 106 form part of these accounts.

| | 2011-12 £'000s | 2010-11 £'000s |
|---|---|---|
| Cash flows from operating activities | | |
| Net operating cost (Note 3.1) | (26,804) | (28,604) |
| Adjustments for non-cash transactions (Note 9) | 1,897 | 1,766 |
| Decrease/(Increase) in trade and other receivables (Note 14) | 701 | (264) |
| Increase in trade and other payables (Note 16) | 994 | 989 |
| Use of provisions (Note 17) | (432) | (799) |
| *Net cash outflow from operating activities* | (23,644) | (26,912) |
| Cash flows from investing activities | | |
| Purchase of plant, property and equipment (Note 12) | (430) | (313) |
| Purchase of intangible assets (Note 13) | 264 | (304) |
| *Net cash outflow from investing activities* | (166) | (617) |
| Cash flows from financing activities | | |
| From Consolidated Fund (Supply) – current year (Note 4) | 26,522 | 29,098 |
| From Consolidated Fund (Supply) – prior year (Note 16) | (1,567) | (46) |
| *Net financing* | 24,955 | 29,052 |
| Net increase in cash in the period before adjustment for receipts and payments to the Consolidated Fund | 1,147 | 1,523 |
| Payments and amounts due to the Consolidated Fund | 0 | (1) |
| Net increase in cash in the period after adjustment for receipts and payments to the Consolidated Fund | 1,147 | 1,522 |
| Cash and cash equivalents at the beginning of the period (Note 15) | 1,569 | 47 |
| Cash and cash equivalents at the end of the period (Note 15) | 2,716 | 1,569 |

## Statement of Changes in Taxpayers' Equity

### for the year ended 31 March 2012

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

The notes on pages 83 to 106 form part of these accounts.

| | Note | £'000s |
|---|---|---|
| Balance at 1 April 2011 | | 800 |
| Non-cash charges – auditor's remuneration | 9 | 59 |
| Net operating cost for the year | 3 | (26,836) |
| *Total recognised income and expense for 2011-12* | | (26,777) |
| Net Parliamentary Funding – drawn down | | 24,955 |
| Net Parliamentary Funding – deemed | 16 | 1,567 |
| Supply payable | 16 | (2,716) |
| Supply adjustment | | 5 |
| CFERs payable to the Consolidated Fund | 5 | 0 |
| Balance as at 31 March 2012 | | (2,166) |

Changes in taxpayers' equity for 2010-11

| | £'000s |
|---|---|
| Balance as at 1 April 2010 | 2,042 |
| Non-cash charges – auditor's remuneration | 59 |
| Net operating cost for the year | (28,830) |
| *Total recognised income and expense for 2010-11* | (28,771) |
| Net Parliamentary Funding – drawn down | 29,052 |
| Net Parliamentary Funding – deemed | 56 |
| Supply payable | (1,567) |
| CFERs payable to the Consolidated Fund | (2) |
| Balance as at 31 March 2011 | 800 |

## Notes to the Accounts

### 1. Statement of accounting policies

These financial statements, which cover the accounting period 1 April 2011 to 31 March 2012, have been prepared in accordance with the *Government Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Commission for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Commission are described below. They have been applied consistently in dealing with items that are considered material to the financial statements.

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

### 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 are 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 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 | 5 years |
| Websites | 5 years |

During 2011-12, the asset life applicable to IT databases and Websites was reduced from its previous life of 7 years to a revised life of 5 years, as shown above. The financial impact of this accounting estimate change was to increase the amortisation charge for the year by £0.3 million (note 13).

### 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. Operating income is stated net of VAT. Income is recognised as it is earned.

### 1.8 Administration expenditure

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

### 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 the estimates stated for the provisions relating to property dilapidations and the useful economic lives of the tangible and intangible assets.

### 1.16 IFRS that have been issued but are not yet effective

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.

2.1 Analysis of net resource outturn by section

| | 2011-2012 | | | | | | | | | 2010-2011 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Outturn | | | | | | | Estimate | | Outturn |
| | Administration | | | Programme | | | | | | |
| | Gross | Income | Net | Gross | Income | Net | Total | Net Total | Net total compared to Estimate | Total |
| | | | | | | | | | | |
| Spending in Department Expenditure Limit | | | | | | | | | | |
| | | | | | | | | | | |
| Voted: | | | | | | | | | | |
| Giving the public confidence in the integrity of Charities | | | | | | | | | | |
| | 28,203 | (967) | 27,236 | 0 | 0 | 0 | 27,236 | 27,579 | 343 | 29,403 |
| | | | | | | | | | | |
| Annually Managed Expenditure | | | | | | | | | | |
| | | | | | | | | | | |
| Voted: | | | | | | | | | | |
| Giving the public confidence in the integrity of Charities | | | | | | | | | | |
| | 0 | 0 | 0 | (400) | 0 | (400) | (400) | 170 | 570 | (573) |
| | | | | | | | | | | |
| Total | 28,203 | (967) | 27,236 | (400) | 0 | (400) | 26,836 | 27,749 | 913 | 28,830 |

The £343k DEL underspend mainly relates to slippage in project expenditure, whilst the £570k AME underspend is a combination of existing provisions that have been written back and potential new provisions that were not required.

2.2 Analysis of net capital outturn by section

| | 2011-2012 | | | | | | | | | 2010-2011 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Outturn | | | | | | | Estimate | | Outturn |
| | Administration | | | Programme | | | | | | |
| | Gross | Income | Net | Gross | Income | Net | Total | Net Total | Net total compared to Estimate | Total |
| | | | | | | | | | | |
| Spending in Department Expenditure Limit | | | | | | | | | | |
| | | | | | | | | | | |
| Voted: | | | | | | | | | | |
| Giving the public confidence in the integrity of Charities | | | | | | | | | | |
| | 166 | 0 | 166 | 0 | 0 | 0 | 166 | 493 | 327 | 617 |
| | | | | | | | | | | |

3 Reconciliation of outturn to net operating cost against Administration Budget

3.1 Reconciliation of net resource outturn to net operating cost

| | Note | 2011-12 Outturn £'000s | 2010-11 Outturn £'000s |
|---|---|---|---|
| Total Resource outturn in Statement of Parliamentary Supply | 2 | 26,836 | 28,832 |
| Net Supply Income (CFERs) | 5 | 0 | (2) |
| **Net Operating Costs** | | 26,836 | 28,830 |

For the purposes of the Cash Flow Statement, Net Operating Costs of £26,804k are derived from the Statement of Parliamentary Supply.

3.2 Outturn against final Administration Budget and Net Operating Costs

| | 2011-12 Outturn £'000s | 2010-11 Outturn £'000s |
|---|---|---|
| Estimate – Administration cost limit | 27,579 | 29,778 |
| Outturn – Gross administration costs | 28,203 | 30,357 |
| Outturn – Gross income relating to administration costs | (967) | (954) |
| **Outturn – Net administration costs (Statement of Parliamentary Supply)** | **27,236** | **29,403** |
| Reconciliation to operating costs: | | |
| Less: Provisions utilised (transfer from Programme) (note 17) | (432) | (799) |
| Add: Provisions provided in year | 132 | 570 |
| Less: Provisions written back in year | (100) | (344) |
| **Net Operating Costs (Statement of Comprehensive Net Expenditure)** | **26,836** | **28,830** |

4 Reconciliation of net cash requirement to increase/(decrease) in cash

| | 2011-12 £'000s | 2010-11 £'000s |
|---|---|---|
| **Net Cash Requirement** | (23,806) | (27,531) |
| From Consolidated Fund (Supply) – current year | 26,522 | 29,098 |
| From Consolidated Fund (Supply) – prior year | (1,567) | (46) |
| Amounts due to the Consolidated Fund and not paid over | 0 | 2 |
| Consolidated Fund received in prior year and paid over | (2) | (1) |
| Net Increase/(decrease) in cash held by Department | **1,145** | **1,522** |

## 5 Analysis of income payable to the Consolidated Fund

In addition to income retained by the Commission, the following income relates to the Commission and is payable to the Consolidated Fund.

| | Outturn 2011-12 | | Outturn 2010-11 | |
|---|---|---|---|---|
| | Income | Receipts | Income | Receipts |
| | £'000s | £'000s | £'000s | £'000s |
| Operating income outside the ambit of the Estimate | 0 | 0 | 2 | 0 |
| Excess cash surrenderable to the Consolidated Fund | 0 | 0 | 0 | 0 |
| **Total income payable to the Consolidated Fund** | 0 | 0 | 2 | 0 |

## 6.1 Statement of Operating Costs by Operating Segment

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.

| | 2011-12 | | | 2010-11 | | |
|---|---|---|---|---|---|---|
| | £'000s | | | £'000s | | |
| | Charity Commission: core business | International Programme | Total | Charity Commission: core business | International Programme | Total |
| Gross Expenditure | 27,027 | 744 | 27,771 | 28,868 | 690 | 29,558 |
| Income | (142) | (825) | (967) | (264) | (690) | (954) |
| Net Expenditure | 26,885 | (81) | 26,804 | 28,604 | 0 | 28,604 |
| | | | | | | |
| Total Assets | 5,277 | 57 | 5,334 | 6,478 | 80 | 6,559 |
| Total Liabilities | (7,420) | (80) | (7,500) | (5,688) | (71) | (5,759) |
| Net Assets | (2,143) | (23) | (2,166) | 790 | 10 | 800 |

6.2 Reconciliation between Operating Segments and Note 2

| | 2011-12 | | | 2010-11 | | |
|---|---|---|---|---|---|---|
| | £'000s | | | £'000s | | |
| | Charity Commission: core business | International Programme | Total | Charity Commission: core business | International Programme | Total |
| Total net expenditure per Statement of Comprehensive Net Expenditure by operating segment | 26,885 | (81) | 26,804 | 28,604 | 0 | 28,604 |
| Reconciling item: | | | | | | |
| Provisions provide/ written back in year (transfer from Programme) | 32 | 0 | 32 | 228 | 0 | 228 |
| Total net expenditure per Statement of Parliamentary Supply | 26,917 | (81) | 26,836 | 28,830 | 0 | 28,830 |

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

| | 2011-12 | 2010-11 |
|---|---|---|
| | £'000s | £'000s |
| Operating income | 967 | 954 |
| Income authorised to be appropriated in aid | 967 | (952) |
| **Operating income payable to the Consolidated Fund** | 0 | 2 |

## 8 Staff numbers and related costs

| | 2011-12 | 2010-11 |
|---|---|---|
| | £'000s | £'000s |
| Wages and salaries | 11,995 | 13,864 |
| Social security costs | 958 | 1,076 |
| Other pension costs | 2,305 | 2,623 |
| Agency staff | 27 | 180 |
| Severance costs | 2,624 | 1,716 |
| Decrease in IAS 19: employee benefits accrual | (63) | (82) |
| **Total** | **17,846** | **19,377** |
| Charged to capital | (0) | (36) |
| **Total Net Costs** | **17,846** | **19,341** |

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 2011-12, employer's contributions of £1.95m were payable to the PCSPS (£2.23m in 2010-11) at rates in the range 16.7% to 24.3% (16.7% to 24.3% in 2010-11) of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2011-12 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 contributions of £334k were paid to one or more of a panel of three appointed stakeholder pension providers (£367k in 2010-11). Employer contributions are age-related and range from 3% to 12.5% (3% to 12.5% in 2010-11) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. Employer contributions of £855 (£1,183 in 2010-11) 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 £25,719 (£32,971 in 2010-11). Contributions prepaid at that date were £nil (£nil in 2010-11). One staff (two staff in 2010-11) retired early on ill health grounds; the total additional accrued pension liabilities amounted to £30,354 (£59,530 in 2010-11).

### 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:

| | 2011-12 | 2010-11 | 2011-12 | 2010-11 |
|---|---|---|---|---|
| | Number | Number | £'000s | £'000s |
| Charity Commission staff | 374 | 436 | 17,819 | 19,161 |
| Agency staff | 1 | 6 | 27 | 180 |
| **Total** | **375** | **442** | **17,846** | **19,341** |

### Reporting of Civil Service and other compensation schemes - exit packages

In order to maintain expenditure within the reduced funding levels during the current Spending Review period (2011-2015), the Commission is reducing 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 2012, 111 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 table below analyses these exits by cost bandings. Figures for 2010-11 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) | 4 (17) | 4 (17) |
| £10,000 - £24,999 | 0 (0) | 28 (15) | 28 (15) |
| £25,000 - £49,999 | 0 (0) | 23 (12) | 23 (12) |
| £50,000 - £99,999 | 0 (0) | 16 (10) | 16 (10) |
| £100,000- £149,999 | 0 (0) | 2 (1) | 2 (1) |
| £150,000- £200,000 | 0 (0) | 0 (1) | 0 (1) |
| Total number of exit packages | 0 (0) | 73 (56) | 73 (56) |
| Total resource cost (£'000s) | 0 (0) | 2,624 (1,716) | 2,624 (1,716) |

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 | 2011-12 £'000s | 2010-11 £'000s |
|---|---|---|---|
| Rentals under operating leases | | 1,524 | 1,621 |
| Interest charges (incurred on finance leases) | | 0 | 0 |
| | | 1,524 | 1,621 |
| Non-cash items: | | | |
| Depreciation | 12 | 466 | 314 |
| Amortisation | 13 | 1,335 | 1,231 |
| Revaluation of assets | 12 & 13 | 22 | 12 |
| Loss on disposal of fixed asset | 12 & 13 | 15 | 46 |
| Capital write-off | 12 & 13 | 0 | 104 |
| Auditor's remuneration | | 59 | 59 |
| | | 1,897 | 1,766 |
| Other expenditure: | | | |
| Personnel related | | 749 | 1,097 |
| Accommodation | | 1,197 | 1,190 |
| Office services | | 1,598 | 2,042 |
| Contracted services/consultancy | | 386 | 398 |
| Specialist services | | 2,568 | 2,103 |
| Losses and special payments | 23 | 6 | 0 |
| | | 6,504 | 6,830 |
| **Total expenditure** | | **9,925** | **10,217** |

## 10 Programme Costs

| | Note | 2011-12 £'000s | 2010-11 £'000s |
|---|---|---|---|
| Provisions provided in year | 17 | 132 | 570 |
| Provisions written back in year | 17 | (100) | (344) |
| **Total programme costs** | | **32** | **226** |

## 11 Income

| | 2011-12 | 2010-11 |
|---|---|---|
| | £'000s | £'000s |
| Income received in respect of the International Programme: | | |
| from other UK Government Departments | 515 | 665 |
| from non-UK entities | 310 | 25 |
| Income received for rendering services to or on behalf of other UK Government Departments | 133 | 248 |
| Other income | 9 | 16 |
| **Total income** | **967** | **954** |

## 12 Property, plant and equipment

| | Information Technology | Furniture & Fittings | Leasehold Improvements | Total |
|---|---|---|---|---|
| | £'000s | £'000s | £'000s | £'000s |
| **2011-12** | | | | |
| **Cost or valuation** | | | | |
| At 1 April 2011 | 876 | 416 | 691 | 1,983 |
| Additions | 430 | 0 | 0 | 430 |
| Re-lifed assets | 1 | 0 | 0 | 1 |
| Disposals | (137) | (181) | 0 | (318) |
| Revaluation | 0 | 0 | 0 | 0 |
| **At 31 March 2012** | **1,170** | **235** | **691** | **2,096** |
| **Depreciation** | | | | |
| At 1 April 2011 | 519 | 335 | 296 | 1,150 |
| Charged in year | 194 | 39 | 233 | 466 |
| Disposals | (125) | (179) | 0 | (304) |
| Revaluations | (9) | (4) | 0 | (13) |
| **At 31 March 2012** | **579** | **191** | **529** | **1,299** |
| **Net Book Value at 31 March 2011** | **357** | **81** | **395** | **833** |
| **Net Book Value at 31 March 2012** | **591** | **44** | **162** | **797** |

| | | | | |
|---|---|---|---|---|
| **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** |

All assets are owned by the Commission, there are no assets held under finance leases (none in 2010-11).

## 13 Intangible assets

| | IT databases | Websites | Assets under Construction | Total |
|---|---|---|---|---|
| | £'000s | £'000s | £'000s | £'000s |
| **2011-12** | | | | |
| **Cost or valuation** | | | | |
| At 1 April 2011 | 8,630 | 42 | 0 | 8,672 |
| Additions | (264) | 0 | 0 | (264) |
| Transfers | 0 | 0 | 0 | 0 |
| Disposals | (632) | 0 | 0 | (632) |
| Revaluation (write-off) | (35) | 0 | 0 | (35) |
| **At 31 March 2012** | **7,699** | **42** | **0** | **7,741** |
| **Amortisation** | | | | |
| At 1 April 2011 | 6,207 | 42 | 0 | 6,249 |
| Charged in year | 1,335 | 0 | 0 | 1,335 |
| Disposals | (632) | 0 | 0 | (632) |
| Revaluation | 0 | 0 | 0 | 0 |
| **At 31 March 2012** | **6,910** | **42** | **0** | **6,952** |
| **Net book value at 31 March 2011** | **2,423** | **0** | **0** | **2,423** |
| **Net book value at 31 March 2012** | **789** | **0** | **0** | **789** |

| | | | | |
|---|---|---|---|---|
| **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 2011** | **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** |

All intangible assets are owned by the Commission, no intangible assets are held under finance leases (£nil in 2010-11). Assets under construction represent expenditure on IT developments. A change in accounting estimate during the year for the asset life of IT databases and Websites (note 1.4) resulted in an additional amortisation charge of £0.3 million for 2011-12. Additions of (£264k) relate to a VAT reclaim agreed in 2011-12 (relating to 2010-11) which could not be retained by the Commission.

## 14 Trade and other receivables

### 14.1 Analysis by type

| | 2011-12 | 2010-11 |
|---|---|---|
| | £'000s | £'000s |
| **Amounts falling due within one year:** | | |
| VAT | 241 | 254 |
| Deposits and advances | 16 | 16 |
| Other trade receivables | 148 | 261 |
| Prepayments and accrued income | 627 | 1,203 |
| | **1,032** | **1,734** |
| **Amounts falling due after more than one year:** | | |
| Prepayments and accrued income | 0 | 0 |
| **Total trade and other receivables** | **1,032** | **1,734** |

### 14.2 Intra Government Balances

| | 2011-12 | 2010-11 |
|---|---|---|
| | £'000s | £'000s |
| **Amounts falling due within one year:** | | |
| Balances with other central government bodies | 334 | 485 |
| Balances with bodies external to government | 698 | 1,249 |
| | **1,032** | **1,734** |
| **Amounts falling due after more than one year:** | | |
| Balances with bodies external to government | 0 | 0 |
| **Total trade and other receivables** | **1,032** | **1,734** |

## 15 Cash and cash equivalents

| | 2011-12 | 2010-11 |
|---|---|---|
| | £'000s | £'000s |
| Balance at 1 April | 1,569 | 47 |
| Net change in cash and cash equivalent balances | 1,147 | 1,522 |
| **Balance at 31 March** | **2,716** | **1,569** |
| **The following balances at 31 March were held at:** | | |
| Government Banking Services | 2,715 | 1,568 |
| Cash in hand | 1 | 1 |
| **Balance at 31 March** | **2,716** | **1,569** |

## 16 Trade and other payables

### 16.1 Analysis by type

| | 2011-12 | 2010-11 |
|---|---|---|
| **Amounts falling due within one year:** | £'000s | £'000s |
| Taxation and social security | 498 | 604 |
| Trade payables | 432 | 895 |
| Other payables | 2 | 6 |
| Staff exit costs | 1,729 | 1,453 |
| Accruals and deferred income | 1,293 | 330 |
| Amounts issued from the Consolidated Fund for Supply but not spent at year end* | 2,716 | 1,567 |
| Consolidated Fund extra receipts received and receivable due to be paid to the Consolidated Fund* | 0 | 2 |
| | 6,670 | 4,857 |
| **Amounts falling due after more than one year:** | | |
| Staff exit costs | 513 | 185 |
| **Total trade and other payables** | **7,183** | **5,042** |

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

16.2 Intra Government balances

| | 2011-12 | 2010-11 |
|---|---|---|
| | £'000s | £'000s |
| **Amounts falling due within one year:** | | |
| Balances with other central government bodies | 3,214 | 2,205 |
| Balances with bodies external to government | 3,456 | 2,652 |
| | 6,670 | 4,857 |
| **Amounts falling due after more than one year:** | | |
| Balances with bodies external to government | 513 | 185 |
| **Total trade and other payables** | 7,183 | 5,042 |

17 Provisions for liabilities and charges

| | Early departure costs | Property dilapidation | Legal | Staff exit costs | Total 2011-12 | Total 2010-11 |
|---|---|---|---|---|---|---|
| | £'000s | £'000s | £'000s | £'000s | £'000s | £'000s |
| Balance at 1 April | 174 | 80 | 100 | 363 | 717 | 1,290 |
| Provided in year | 9 | 123 | 0 | 0 | 132 | 570 |
| Provision utilised in year | (69) | 0 | 0 | (363) | (432) | (799) |
| Provision written back | 0 | 0 | (100) | 0 | (100) | (344) |
| **Balance at 31 March** | 114 | 203 | 0 | 0 | 317 | 717 |

17.1 Analysis of expected timing of cash flows

| | Payment by 31 March 2013 | Payment after 1 April 2013 | Total |
|---|---|---|---|
| | £'000s | £'000s | £'000s |
| Early departure costs | 44 | 70 | 114 |
| Property dilapidation | 0 | 203 | 203 |
| **Total** | 44 | 273 | 317 |

### 17.2 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 it, 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.

### 17.3 Property dilapidation

In consultation with our Landlord, a provision has been created for dilapidations on our current London office which we anticipate moving from in late 2012-13. The dilapidation costs relating to this move are likely to be paid in 2013-14.

### 17.4 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. The write-back of this provision relates to such costs and covers cases considered by the High Court and Court of Appeal during the year, the outcomes of which were found in favour of the Commission.

### 17.5 Staff exit costs

This provision relates to the cost of CSCS payments to staff who applied for the Voluntary Exit Scheme but whose application had not been agreed by the Commission by 31 March 2011. As these applications were subsequently agreed during 2011-12, the original provision has now been fully consumed. The expenditure to create this provision is not included in Note 8 but is instead recorded in Note 10 as a non-cash cost in order to demonstrate that the amount is funded by AME until the provision is utilised.

## 18 Capital commitments

As at 31 March 2012, the Commission had £nil capital commitments (£nil as at 31 March 2011).

## 19 Commitments under leases

### 19.1 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.

| | 2011-12 | 2010-11 |
|---|---|---|
| | £'000s | £'000s |
| Obligations under operating leases comprise: | | |
| Buildings | | |
| Not later than one year | 1,241 | 1,245 |
| Later than one year and not later than five years | 2,017 | 4,527 |
| Later than five years | 0 | 980 |
| | 3,258 | 6,752 |

## 20 Other financial commitments

The Commission has no material financial commitments other than those disclosed in Notes 17, 18 and 19 (£nil in 2010-11).

## 21 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.

## 22 Contingent liabilities disclosed under IAS 37

The Commission has no contingent liabilities at 31 March 2012 (£nil as at 31 March 2011).

## 23 Losses and special payments

### 23.1 Losses statement

| | 2011-12 | | 2010-11 | |
|---|---|---|---|---|
| | Number | £'000s | Number | £'000s |
| Total losses for the year | 2 | 0 | 0 | 0 |

There were two losses in 2011-12 amounting to £311 (Nil in 2010-11). Both losses relate to payments made to two members of staff in error and the staff leaving the Commission before repayment was made.

### 23.2 Special payments

| | 2011-12 | | 2010-11 | |
|---|---|---|---|---|
| | Number | £'000s | Number | £'000s |
| Total special payments for the year | 2 | 6 | 1 | 0 |

There were two special payments in 2011-12 amounting to £6,108 (one in 2010-11). One of these payments relates to a reimbursement of legal fees to a charity. The second relates to compensation awarded to a member of staff to compensate for incorrect information being provided by the Commission regarding timings of retirement payments.

## 24 Related party transactions

During the year 2011-12, 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. All transactions have been undertaken on arm's length terms.

## 25 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.

## 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 intangible asset over the useful life of that asset.

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

Capital expenditure
Expenditure greater than £1,000 on the acquisition or construction of plant, property and equipment and intangible assets, or on enhancing the value of such assets.

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.

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 property, plant and machinery.

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.

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

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

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

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

Net resource out-turn
The net total of income and expenditure 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.

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
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
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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