CHARITY COMMISSION
FOR ENGLAND AND WALES

Charity Commission Annual Report

2018-2019

HC 2318

Charity Commission Annual Report and Accounts 2018-19
(For the year ended 31 March 2019)

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

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Part 1 Introduction

Foreword from the Chair

This year we set a new strategic direction for the Charity Commission and embarked on a new programme of change.

In October, we published our Statement of Strategic Intent for the next five years and launched our new purpose – to ensure charity can thrive and inspire trust so that people can improve lives and strengthen society. (See pages 8-9)

At its heart, our purpose acknowledges the benefits that a thriving charity sector brings to our society. We are stronger and better as a country the more benefit charity delivers.

Focusing on the ultimate prize – maximising the positive difference charity makes – represents a significant shift. As does our recognition that success in achieving that goal, which we share with the charities we regulate, relies on us, and all those involved in the charity sector, upholding what charity means in the eyes of the public.

The Commission is clear that we represent the public interest to charity – not the interests of charities to the public. That greater clarity of our role is already reflected in our work: we are using our voice and our authority to hold charities – and others – to account against public expectations.

Our recent report on the failed Garden Bridge project is an example of this: instead of confining ourselves to a regulatory assessment of the management of the charity, we drew on our unique perspective to help ensure others – notably public policy makers – learn the appropriate lessons from what was a failure for charity that risked undermining public trust and confidence.

Public trust and confidence in charities cannot be taken for granted. Indeed, our research shows that the public no longer give charities the benefit of the doubt just because they are charities. But people care deeply about charity and what it means to them. The benefit of charity to people and society is a precious asset we can't afford to risk – and it has the potential to do much more. With this as the Commission's goal, our Statement of Strategic Intent describes how we will translate our purpose into our regulatory operations and the kind of regulator we are working to become over the next five years.

The operating conditions for the Charity Commission are increasingly challenging. That said, we are determined to keep improving our operational performance. The Board is clear that the Commission must meet the standards of service that the public expect, and the charities it regulates deserve.

I am confident that our new purpose-driven approach, our plans for the next five years and the changes we are making now, will help us meet the challenges we face. As this report shows, we are already making progress. But we need to be able to do more in the interest of the public and the nation at large. That will require us to create more operating capacity by changing the way we work and increasing our efficiency through greater use of technology. But it will also require more resources.

We have much to do. I would like to take this opportunity to thank all the Commission's staff for their hard work, commitment and dedication in such a busy and demanding year – without them we would not achieve anything.

Tina Stowell

Rt Hon Baroness Stowell of Beeston MBE

Foreword from the Chief Executive

During the year on which we report here, the Commission has begun a process of organisational and cultural change, preparing us to fulfil our purpose and deliver our strategy.

The new strategy itself came into force operationally on 1 April 2019, and is supported by a comprehensive business plan for 2019-20, which sets out priority themes and tasks, and explains how these link back to the change we seek to achieve by 2023.

The plan also sets out key enabling factors, including developing our people, modernising our technology infrastructure, and improving our data.

Our top priority in this first year of our new strategy is getting the basics right, ensuring that we have the systems, structures and processes in place to manage demand on our core functions, while delivering the customer service that charities have a right to expect.

While we enter the next phase of the Commission's journey of improvement with determination and optimism, it is important to highlight growing challenges. Notably, and most immediately: our funding is increasingly stretched by rapidly growing demand on our core functions.

We were pleased to be granted a £5m uplift to our baseline funding last year, after a 46% cut in our budget in real terms between 2008 and 2017. However, immediately these additional resources became available, our case load increased significantly, with regulatory compliance cases rising by nearly 20% alone.

This has proved to be the busiest year for us so far, notably in the area of high-risk case work. These pressures result, not least, from increased reporting of serious incidents by charities, in the wake of the safeguarding revelations in February 2018; reports have risen by over a third year-on-year. We have also seen a significant increase in whistleblowing reports, and in reports from auditors and independent examiners of charities.

A key focus throughout the year has therefore been on getting to grips with case working backlogs, where we have made good progress in the final quarter. At the same time, we have been gradually renewing the Commission's foundations so the improvements we make can withstand more pressure, and to ensure we are fit to face future challenges. For example, we have been updating our approach to assessing and responding to risks in charities, notably by designing and implementing a new risk operating model.

A further challenge for us arises from the external context: the importance and value of the charity sector – to the government, to the economy and to society – is growing, and becoming more complex. Charities are increasingly vital to the delivery of services to the public and to communities, and, by extension those services are increasingly dependent on the effective regulation of charities.

At the same time, the concept of charity remains hugely important to the public, and to society. It is vital that we, in delivering on our new purpose, uphold and promote what is special and distinct about charity.

In light of these significant pressures, I am pleased that our staff engagement, as measured by a cross-Civil Service survey, increased by 20% in 2018, compared to the previous year, reaching its highest level in 10 years and placing us in the top third across the Civil Service. I will continue to work hard to ensure staff are satisfied, motivated and happy in what they do.

As we change what we do and how we do it, there are areas of our work that remain critical. For example, we have developed our work to help the sector strengthen safeguarding and prevent and tackle fraud and financial crime. Together with the Fraud Advisory Panel, we conducted the most extensive survey into fraud resilience in charities, the results of which will be published later this year.

We have also developed and improved our guidance to enable trustees to run their charities well. We consulted on, developed and published new regulatory guidance, aimed at ensuring charities with close links to non-charitable organisations know how to avoid being misused to advance non-charitable interests.

Recently, we concluded our inquiry into safeguarding in Oxfam GB, resulting in the publication of our final report in June 2019. The inquiry was the largest and most prominent we have conducted. We hope the wider conclusions we have drawn from the case will help the sector in driving meaningful change. There are early indications that leaders in charities are learning the most crucial lesson from the case, namely that no charity is more important that the purpose it pursues, or the people it exists to help.

Helen Stephenson, CBE

This report

Because of the significant in-year shift in strategic focus, this report is structured around our core regulatory functions. In coming years, we will report against our success in meeting our new strategic priorities, meeting our vision for 2023 and delivering on our purpose. See below/overleaf for more on our new strategic priorities, which we began working on in April 2019.

Understanding public expectations of charity

Our new purpose and our understanding of how the public values and relates to charity are drawn, not least, from extensive research carried out by Populus, undertaken during 2018-19 into public attitudes towards, and expectations of, charity.

This research reveals that the public conceive of charity in different ways depending on who they are and where they come from. But people are united in one fundamental expectation: that a charity is more than an organisation with worthy aims – it should be a living example of charitable purpose, and of the attitudes, and behaviours which the public expect.

Our regular research in to public trust also revealed that demonstrating high standards of conduct and behaviour (being 'true to their values') is as important to trustworthiness in the eyes of the public as making a positive difference to a charity's cause, and the careful stewardship of resources. This study also showed that charities, collectively, are not yet meeting those expectations and that people do not give charities the benefit of the doubt just because they are charities. It found that public trust in charities has plateaued (5.5 out of 10), having dropped significantly in 2016.

The Commission has an important role in helping charities to respond to these findings. We want to work in constructive partnership with charities to help us to respond together to the public's legitimate expectations so that charities deliver maximum benefit to people and society more generally.

Our new strategic priorities and our vision for 2023

Our new strategic priorities reflect our changing role in representing the public interest to charities and are based on our learning about how people value charity.

Holding charities to account

By 2023, the charity sector is more respectful of, responsive to and in tune with public expectations because they are living up to their purpose and values, behaving with integrity and using their resources responsibly.

Dealing with wrongdoing and harm

By 2023, charities are better able to show they can be trusted and are better able to apply their know-how, because we are better at detecting, deterring and preventing wrongdoing and harm, and charities are better informed and more effective at protecting themselves.

Informing public choice

By 2023, people will have greater confidence that charities are making a real difference, including those who stand up for the most vulnerable in society, because they will have easier access to the knowledge and understanding they need to be able to trust the charities they support.

Giving charities the understanding and tools they need to succeed

By 2023, charities are better able to make a real difference and help more people join together and contribute to their local communities, because there is increased professionalism in trusteeship which allows charities to innovate safely within the framework of charity law.

Keeping charities relevant for today's world

By 2023, charities will be maximising the benefits they bring to society, because they will continue to evolve and grow, demonstrating to everyone that charity is sustainable, resilient, influential and credible.

Part 2a Overview

The role of the Charity Commission

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

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

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

At 31 March 2019, there were more than 168,000 charities on the register. During the year, we regulated **£79 billion of charity income** (2017-18: £76 billion) and **£75.6 billion of charity spend** (2017-18: £73.5 billion).

Our statutory objectives

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

These are to:

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

We have wide discretion in how we achieve our objectives

Our purpose

In October 2018, we published a new Statement of Strategic Intent for 2019-2023. At the heart of the new strategy is a newly defined purpose:

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

The strategy came into force in April 2019, and now drives and informs everything we do, including how we exercise our core functions and meet our statutory objectives.

Our regulatory approach

Our new Statement of Strategic Intent for 2019-2023, makes clear that, while Parliament granted us the statutory objectives listed above, including to increase public trust and confidence, our purpose is more than the sum of our legal obligations.

The charity sector regulated by us
2018–19 at a glance

CHARITY COMMISSION
FOR ENGLAND AND WALES

Total charity income we regulate

£79bn
charity income

£75.6bn
charity spend

Total trustees

943,574
trustee positions

700,000
estimated number of trustees

80%
of whom have no support from staff or additional volunteers

Charities on the register

38m
views of our online register of charities

8,074
applications to register as a charity

4,812
charities were removed from the register

Customer contact

109,871
emails, calls and letters to our contact centre

Commission income

£27.1m

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

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

Our quasi-judicial functions

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

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

Our governance

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

This includes:

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

Our Board pays particular attention to:

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

Baroness Stowell MBE is our Chair and Helen Stephenson CBE is our Chief Executive; they joined in February 2018 and July 2017 respectively.

Tony Cohen, Nina Hingorani-Crain, and Ian Karet joined the Board in January 2019. Nina Hingorani-Crain took on the role of Chair of the Audit and Risk Assurance Committee in January 2019, a role previously held by Mike Ashley.

Eryl Besse and Tony Leifer departed the Board following the end of their second term in December 2018.

Our resources

In 2018-19 our revenue budget was £27.1 million of which we spent £26.8 million. This was largely funded by HM Treasury.

We employed 422 staff on 31 March 2019 (including board members and agency staff). We have five directorates and one unit:

- Operations
- Investigations, Monitoring and Enforcement
- Legal Services
- Policy, Planning and Communications
- Corporate Services
- Risk Assessment Unit

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

Part 2b Performance Analysis

Given that we are reporting on a year of change, during which strategic direction has shifted, we report here on our performance against our general regulatory functions.

I Identifying and investigating apparent misconduct or mismanagement in charities

Preventing and reducing harm: towards truly risk-led regulation

Risk-led regulation underpins the Commission's new strategy. We regulate organisations that play crucial roles in peoples' lives and within society, and which depend for their success on public trust and confidence. It is vital that the Commission's operational work, including our work to identify and respond to wrongdoing in charities, is driven by risk. This means that we are focused on reducing and where possible preventing harm, and that we apply our resources accordingly. Risk-led regulation also means that, with time, we become less reactive to events, and better able to anticipate issues.

Risk-led regulation is the right approach in principle, and also helps us to focus our resources where the risks of harm are greatest, in light of the continual increase in demand on our core functions.

Embedding a risk based approach in our operational work

A key corporate priority during 2018-19 was to develop principles and processes for further embedding a risk-based approach in our operational work, including our work to deal with wrongdoing and harm. Our purpose is to ensure a consistent, Commission-wide understanding of risk and to set out how we analyse and respond to risk in our various operational functions. We recognise we are at the start of a journey in this respect, we will need more time to fully implement.

We are now updating our published risk and regulatory framework to ensure its structure and language reflects our current operational approach to risk.

Increase in safeguarding case load

The Oxfam case has had a significant wider impact within the sector. The Commission had long highlighted the importance of effective safeguarding in charities, and had been raising concerns about significant underreporting of incidents across the sector. But the Oxfam revelations acted as a catalyst, highlighting that, in the eyes of the public and beneficiaries, safeguarding failures in charities are never just 'collateral damage'; they can risk undermining the very essence of charity, making it vital that charities take steps to prevent failures and respond swiftly, responsibly, and openly when they do occur.

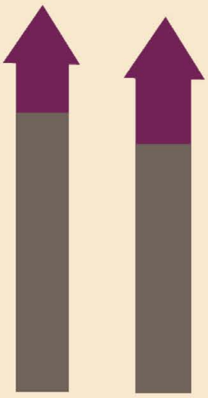
Our safeguarding strategy makes clear that a charity should be a safe and trusted environment, and that safeguarding people should be a governance priority for all charities – regardless of what they do and how they work: Trustees have an essential duty to safeguard beneficiaries and to protect them from abuse. Trustees should also take reasonable steps to protect staff, volunteers and those who come into contact with a charity from harm.

Since the revelations about Oxfam became public in February 2018, reports of serious incidents from other charities have risen significantly. That increase is accounted for by growing reports of safeguarding failures and near misses. In 2018-19, we received **2,504** reports of safeguarding incidents, up from 1,580 the previous year; in total, charities reported **3,895** incidents in 2018-19, compared to **2,819** in 2017-18, a 38% increase year-on-year.

Our safeguarding case load has risen as a consequence. In 2018-19, we opened **2,666** new compliance cases, of which **764** involved safeguarding concerns (compared to 2,269 and

Investigations and compliance
case work 2018–19

Regulatory compliance cases



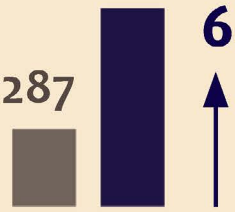
2,666 New
2,269 (2017–18)

2,473 Concluded
1,925 (2017–18)

3,895 Reported serious incidents
of which **64%** were related to safeguarding

2,819 (2017–18)

Matters of material significance
reported by auditors and independent examiners



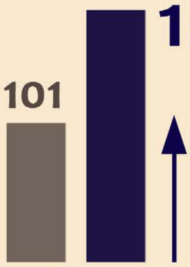
662
287 (2017–18)

Monitoring cases

434 new
415 (2017–18)

455 concluded
380 (2017–18)

Serious incidents
reported by whistleblowers



185
101 (2017–18)

Statutory inquiries

103 new
135 (2017–18)

155 concluded
79 (2017–18)

1,864 Regulatory powers used
1,136 (2017–18)

Our glossary on GOV.UK explains the types of compliance casework.

552 during 2017-18). During the same period, we concluded **888** cases involving concerns about safeguarding, out of a total of **2,473** concluded compliance cases.

A new approach to whistleblowing from within charities

We have seen a significant increase in whistleblowing reports this year; receiving 185 such reports, up from 101 the previous year, an 83% increase. Of these, 88 (48%) related to concerns about safeguarding in charities.

Looking ahead, we consider whistleblowing as an effective way of detecting wrongdoing. We will, therefore, continue to encourage and support those who have serious concerns about a charity to speak up and let us know about them.

To help with this, we have taken significant steps over the last year to improve how we handle whistleblowing, including by:

- Putting in place new guidance for whistleblowers, to help people better understand when and how to report possible wrong doing to us
- Revising our approach to handling whistleblowing complaints; we are piloting a new process that is designed to improve communication with whistleblowers, reassure them that we have understood the points they have made, and provide more clarity on what we will be doing as a result of their disclosures

We are also piloting a dedicated helpline, staffed by independent specialists from the whistleblowing charity Protect. The helpline sits alongside the new process, widening our ability to encourage concerns to be raised advising the whistleblowing on how to bring the issue to our attention.

To support these measures, we have undertaken training for our operational staff to increase their understanding of whistleblowing and improved our approach to recording disclosures in our systems.

We will carefully monitor the success and impact of both these pilot projects later in 2019.

Significant increase in reports from auditors

Auditors and independent examiners have an important role to play in reporting matters of material significance in charities to us. Their reports inform our regulation of the sector and enable us to engage more promptly with charities in difficulty.

Reports from charity auditors about matters of material significance increased nearly three-fold year-on-year. In 2018-19, we received 662 reports on matters of material significance, up from 287 the previous year.

This increase follows work we have undertaken with partners in the accountancy profession to raise auditors' awareness of the requirements, which was prompted by our concern about significant underreporting by auditors and independent examiners.

Formal inquiries

In 2018-19, we opened 103 new inquires. Among the high-profile charities into which we announced investigations during the year were The Save the Children Fund, and The Royal National Institute for the Blind (RNIB). Information about the scope of these investigations is available on GOV.UK.

Last year, we brought 155 inquiries to a conclusion, nearly twice as many as during the previous year (79). This increase results in part from the conclusion of cases within our class inquiry into RAF mess charities; we intend to publish a report later in 2019.

Robust use of new enforcement powers

The Charities (Protection and Social Investment) Act 2016 granted the Commission a range of new powers. These include powers to disqualify individuals from charity trusteeship, to issue Official Warnings to a charity or an individual trustee and to issue certain directions to charities. The new powers help us tackle wrongdoing and harm in charities.

Case study RSPCA issued with Official Warning

In August 2018, we issued the RSPCA with an Official Warning.

A former interim chief executive had received a significant pay-out from the charity, prompting us to examine the trustees' decision making. Our warning was critical of the trustees for not ensuring that the decision was properly made, particularly given the large sum of money involved.

We found that a group of trustees failed to ensure they were sufficiently informed before making the settlement offer, and that those trustees failed to act with reasonable care and skill in negotiating with the former executive.

This case showed that sound processes and systems in charities are crucial for good governance, but more important still are the people involved in charity: particularly their attitude, behaviours and the culture they promote in how they meet their responsibilities as custodians of the reputation of charity as a whole.

Last year, we issued **20** Official Warnings and **27** notifications of our intention to issue an Official Warning.

During 2018-19, we used our powers – old and new – on **1,864** occasions, up from 1,136 last year.

Looking ahead

Over the next five years, we will aim to become more proactive in our work to deal with wrongdoing and harm.

We will deal with all reported wrongdoing and harm in an efficient, timely, outcome-focused, proportionate and effective way, to reinforce public trust in regulation.

We will become better able to detect and deter problems, including enabling charities to better protect themselves from harm.

We will make sure that no complaint is ignored; all concerns raised about charities will contribute to our trend data, helping us become more proactive in preventing harm across the sector.

II Encouraging the better administration of charities

A crucial part of our role as regulator is to help trustees – the people responsible for running charities – understand and comply with their legal duties and responsibilities, and have the tools they need to meet public expectations.

This includes making available services that allow trustees to interact with us efficiently and easily, and producing guidance and tools that meet their needs so that they can easily find relevant information.

Improving our digital services

We made several improvements to our online services, designed to make it easier for charities to engage with us where they need to.

In this context, we consider that charities are entitled to expect good customer service.

We have revised a number of the 'user journeys' that customers go on to access our services. For example, we have simplified the process for charities transferring assets to a new Charitable Incorporated Organisation; it is now clearer when the Commission's authority is required, and how charities can apply to receive that authority from us.

New service to keep the register up-to-date

This year, we released two new digital services to make it easier for charities to meet their responsibilities.

In November 2018 we introduced a new 'update charity details' service. The service highlights where charities have missing information that needs to be provided to us. Trustees have a legal obligation to keep their charity's details accurate and up to date. This helps maintain public trust and confidence in the sector and enables us to contact charities with important regulatory information. Having out-of-date information or late annual returns can put off potential donors, funders or volunteers.

While some users experienced some early teething problems with the service, we recognise the need to be continually improving users' experience of our services and are addressing these issues as a matter of priority.

We also made available a new service allowing trustees to inform us of changes to, or, where necessary, seek our consent for changes to their charities' governing documents. In many cases the process can be completed without manual intervention.

Working with umbrella bodies

We work with a range of charitable umbrella bodies to help support the better administration of charities. This includes attending and speaking at or running workshops for umbrella bodies, and establishing single points of contacts with key partners so we can work together to identify and address issues their members' are facing.

An example of our work with umbrella bodies is in the area of providing 'multi-charity orders.' This arises where we are required to provide consent by a number of different charities with substantially similar issues. For example, we worked with the Almshouse Association to help its members, which were unincorporated charities, to convert to Charitable Incorporated Organisations, which required consents in order to manage the necessary steps in the transactions. Our work with the Almshouse Association ensured the process was smooth, and consistent for all parties.

Developing and improving our guidance

During the early phase of our new strategy, we are undertaking a project to improve the design of our guidance. We have already taken steps to better understand the needs of trustees, so that we can design guidance to meet their needs. For example, our new Trustee Welcome Pack (see below for more detail) was designed after research with trustees and chairs to understand the information they thought would be useful for all new trustees to have.

Similarly, we designed our guidance on Safeguarding and Protecting People using feedback on our existing pieces of guidance, which showed that readers found them long, repetitive, dense and inconsistent. The updated single piece of guidance is reduced in length from nearly 4,700 words to under 1,850 words, which has made it significantly easier to read.

Our web analytics showed us that users were struggling to find our guidance on charity whistleblowing; we also knew from our casework that whistleblowers were unsure what information to send us. This information directed our approach to reviewing the guidance.

New Trustee Welcome Pack

In April 2018, we launched a new welcome pack for all first-time trustees of charities. The pack provides essential information to help trustees understand the basics of effective governance, recognise their financial filing requirements, and know how the Commission can offer support. It has been designed to help charities get it right, suggesting practical steps that can be taken to carry out trustee duties effectively.

The new pack has been sent to every new trustee who has registered a contact email address with us – 71,386 individuals to the end of March 2019. It is also available on GOV.UK for existing trustees. We will keep its content and format under continuous review.

Charities connected to a non-charity – new guidance

In March 2019, we published new guidance for charities that have close connection to non-charitable organisations. The guidance reminds charities to ensure the close relationships some enjoy with non-charitable organisations are made clear to people outside their charity and never used to advance non-charitable agendas and interests.

The new guidance was prompted, in part, by case work involving charities that had not managed their links to non-charitable organisations with care, in some cases allowing charities to be misused, in some cases to further commercial or private interests. The new guidance draws together relevant law and practice in setting out six principles to help trustees secure their charity's interests and independence. It includes an infographic and checklist to help trustees check and review their approach.

The new guidance aims to help charities reap the benefits of relationships with non-charitable bodies while managing the risks carefully, and will help us, and the public, better hold charities to account.

Improved guidance on reporting serious incidents

We improved and updated our guidance to charities on reporting serious incidents, clarifying a number of areas where charities had indicated that it was not clear enough. For example, we now provide additional guidance on when and how to report potential criminal offences that may have taken place abroad. We are continuing to review the guidance to make it is as clear and user-friendly as possible.

Looking ahead, we are developing a digital tool for reporting serious incidents. The tool will be designed to make it easier for charities to provide the information we need at the outset, and help ensure that even where a serious incident report does not result in a case, it feeds appropriately into our data and helps to inform our regulatory approach.

New guidance following changes to rules on automatic disqualification

From 1 August 2018, new rules on disqualification came into force, following changes introduced in the Charities (Protection and Social Investment) Act 2016. The new rules extend the circumstances that result in an individual being automatically disqualified from charity trusteeship, and now also encompass senior executive positions in charities. For example, the Act extended automatic disqualification to people on the sex offenders register, and to designated persons under specific anti-terrorist legislation.

We produced two pieces of guidance – for charities and for individuals – to help them prepare for and apply the changes. The guidance explains the rules and includes a table setting out clearly the newly extended grounds for automatic disqualification. It also sets out the steps that individuals and charities need to take should they wish to apply for a waiver, so that they can appoint a person who is disqualified from a relevant post. All charities should now be taking account of these new conditions when recruiting new staff and trustees.

In producing this guidance, we worked closely with relevant stakeholders, including groups working to help rehabilitate people with criminal convictions.

Fraud awareness and prevention

While there is no evidence that charities are at greater risk of fraud or financial crime than other types of organisation, the risk of fraud in charities appears to be growing, costing the sector millions

– and potentially billions – of pounds each year. It is estimated that around 70% of all fraud is now cyber-enabled, meaning a charity's valuable funds, operations, data and reputation can be at risk. It is important that charities understand the nature and scale of fraud and cybercrime risks facing the sector, and take steps to improve their approach to preventing and detecting crime.

We therefore continue to prioritise our work to raise awareness in this area. Our work is enabled by successful partnerships, notably with the Fraud Advisory Panel, the Charities Against Fraud group, and the National Cyber Security Centre (NCSC).

Research into cyber security and fraud resilience in charities

In February 2019, and in partnership with the Fraud Advisory Panel, we launched the largest ever charity fraud resilience and cyber security survey undertaken in the UK. The survey targeted 15,000 charities, which formed a representative cross-section of the organisations on our register. The purpose of the research is to help us develop a better understanding of charities' resilience to fraud, which in turn will inform our ongoing fraud prevention work. The survey findings will be published in October 2019.

New cyber security guide for small charities

We have continued to develop our relationship with the NCSC, supporting a number of initiatives to help make charities more resilient to cyber-crime. In particular we supported the NCSC in developing and promoting a new cyber security guide for small charities, which it launched in March 2018.

Charity Fraud Awareness Week 2018

The third annual Charity Fraud Awareness Week took place in October 2018, aimed at improving charities' awareness of the various types of fraud risk facing the sector.

The campaign is run in a partnership between the Commission, the Fraud Advisory Panel and the Charities Against Fraud group, and for the first time, involved regulators from the USA, Australia, and New Zealand. The campaign achieved 20 million social media impressions, indicating that its reach is growing, and resulted in the Commission and our Fraud Advisory Panel partner winning the 2019 Government Counter Fraud Award for "outstanding international collaboration."

Outreach work with charities working internationally

We have continued to run a programme of outreach work for charities working internationally in high risk areas. In response to survey feedback, we used social media and blogs to raise awareness of existing guidance, including the compliance toolkit. As part of the award-winning International Charity Fraud Awareness Week, we have developed a new factsheet on moving money overseas. The outreach team also launched its inaugural 'annual update' email, alerting charities operating internationally about recent relevant guidance changes.

Enhancing the accountability of charities

Charities' accounts are publicly available on GOV.UK. Each year, we undertake a programme of reviews, based on issues of regulatory concern. The reviews are aimed at examining and improving the quality of accounts and thus the accountability of the sector.

We published nine reports during the year, covering topics such as the quality of charity accounts and of public benefit reporting, reserves policies and the reporting of matters of material significance by auditors. For example, we wrote to the auditors of 86 charities who had not reported to us as required. Eighty-four of them have now sent us the required report and we have submitted a formal complaint about the other two auditors to their professional body as a result of these cases. As part of our programme, we reviewed the accounts of 702 charities and provided guidance to 192 of those charities to help the trustees address areas for improvement that we identified. You can find copies of our reports at Charity accounts monitoring reviews.

Looking ahead

Guidance for trustees

Under the new strategy, we are undertaking a 5-year programme aimed at upgrading trustees' knowledge, skills and abilities in managing their charities. This will include a guidance redesign programme based on user research, to ensure that our guidance reflects the needs of trustees. We will also look at our existing partnerships, and create new ones with sector bodies and others who can help us achieve our goals.

Enhancing charity accountability

Over the coming months, we will undertake work to improve charity impact reporting.

Determining whether or not institutions are charities

One of the Commission's key functions is to assess applications for charitable status. This is a purely legal test, and all organisations that meet the legal criteria must be entered on to the register. However, we administer the test robustly, and in 2018-19 around 61% of applications resulted in a registration. We received **8,074** applications and registered **4,936** organisations as charities.

Often, applications fail because applicants do not provide the right information, or fail to respond to our requests for additional information.

Where we have concerns about those running a charity, but are nonetheless legally required to register it, we will undertake post-registration monitoring to make sure that the charity's trustees are able to run it in line with their legal responsibilities.

The demand for registration continues to grow. We have seen a 41% rise in the number of applications to register a charity since 2012-13 – the first year Charitable Incorporated Organisations were allowed to register. We are continuously seeking to improve our efficiency in processing applications and the addition of new staff is making a difference. We regret the delays some applicants experience because of the volumes we are handling and the rigour we must apply. Where we have been unable to make an early registration decision, we have improved our communications with applicants to make them aware of any hold-ups.

New charity to help in cases of national emergencies

In April 2019, we registered the National Emergencies Trust, whose purpose is to coordinate the sector's contribution to responses to emergencies within the UK, such as terrorist attacks or natural disasters. The new charity is intended to help make the sector's response rapid, professional and sensitive to the needs of the people affected.

We played a wider role in bringing the new charity to life, having worked with the sector, and online giving platforms, in the wake of the Grenfell Tower fire, ensuring that the victims knew how to access help for their urgent, immediate needs, and that charities and independent local organisations with strong links to the community were working together to develop plans for supporting the community in the long term.

This work highlighted the need for a new charity to facilitate better coordination and communication between charities, and so we worked with our partners in the sector to help bring this about.

David Holdsworth, Deputy Chief Executive and Registrar at the Commission (to May 2019), said: *"I am proud of the role that the Commission has played helping to ensure that the sector responds as the public would expect to national tragedies and disasters: swiftly, expertly and in a way that complements the responses of the emergency services and statutory agencies. I am hopeful that the new charity will mean that the sector will be better placed to respond effectively if – or when – tragedy strikes again."*

New digital guide for those considering setting up a charity

In August 2018, we worked with the Government Digital Service to produce a new step-by-step guide for setting up a charity. The aim was to make the relevant information easier to find and to help users to decide whether setting up a new charity is the best way of furthering their charitable aims.

The new tool has led to a 12% increase in views of the full guidance to which it links, compared to the equivalent period the previous year. Early signs are that users are keen to understand what a charity is, and whether it is the right option for them, before embarking on the process of setting up and applying to register a new charity.

Separately, in December 2018, we launched the first fully interactive Welsh charity application service; to date, the service has not been accessed.

Emerging trend around the use or promotion of 'crypto assets'

This year, and for the first time, we have assessed applications from organisations using or promoting 'crypto assets'. This developing trend echoes a report from HM Treasury, the Financial Conduct Authority and the Bank of England, published in October 2018. We have not yet registered any applications in this area, but the fact that we have received applications points to growing interest in the way in which new technologies can be applied or promoted for the public benefit.

Review of our approach to assessing charitable status of organisations which use or promote complementary and alternative medicine.

In December 2018, we concluded a review of our approach to assessing the charitable status of organisations that use or promote complementary and alternative medicine (CAM) therapies.

While the legal principles have not changed since we last reviewed our policy in this area, our revised internal guidance now makes it clearer that CAM organisations applying to register as charities need to provide evidence that matches the claims they make in order to demonstrate that they provide public benefit. CAM organisations that claim to cure a condition must be able to provide appropriate scientifically-based evidence for their claims. CAM organisations that work to provide comfort and relief to patients, rather than claiming to cure or treat a disease, may be able to rely on other types of evidence, such as reports by patients, or observational studies based on patient responses, to demonstrate their public benefit. The outcome of the review will primarily affect new applicants to the register.

III Maintaining the online register of charities

The Commission's online register of charities is a vital tool to help inform public choice about charity. It allows potential donors, funders, volunteers and beneficiaries access to information, such as about what a charity exists to achieve, who its trustees are and how it applies its income. In 2018-19 the Register of charities received over 38 million views up from 32 million views in 17/18 which demonstrates the huge and growing public appetite for information about charities.

In 2017, we began a 3-year programme to review the online register of charities, which includes first improving data accuracy and then developing a new online display. This has involved removing from the register charities that we consider have ceased to exist but have failed to inform us. The Commission's new Driving Filing Compliance strategy supports our new strategic objectives of holding charities to account and informing public choice. This has contributed to an increase in removals from the register. Overall, in 2018-19, **4,812** charities were removed, compared to 4,360 in 2017-18.

Promoting the accountability of charities via the Annual Return

The register programme has also involved making significant changes to the data we collect via the Annual Return. Overall, the Annual Return is now more proportionate than in the past; many charities are required to answer fewer questions, while those with a large income or complex operations are now required to provide further information.

The 2019 Annual Return was released in April 2019; the question set remains consistent with the 2018 Annual Return, though some questions that were previously optional are now compulsory, including those around executive pay in charities.

We continue to try and make it as straightforward as possible for charities to file their annual returns, as this subject is a leading driver of calls into our contact centre asking for advice on what, and how to, submit.

Promoting safe, smart charitable giving

Throughout the year, we undertook a range of work aimed at helping the public give safely to registered charities. For example, in March 2019, we launched a regional campaign encouraging people in the North West of England to check the online register before they give to charity. The campaign involved social and traditional media and engaging with Parliamentarians. It was successful in reaching a wide audience, particularly through an interview on BBC Radio Merseyside.

Also in March 2019, we reminded people wishing to help the victims of Cyclone Idai, which created a humanitarian catastrophe in a number of countries in Eastern Africa, how to give safely. Our advice aimed to encourage the public to give confidently to charities working to relieve the humanitarian crisis, such as through the Disasters Emergency Committee appeal launched in the wake of the disaster.

Looking ahead

Over the coming year, we will be working closely with charities, sector bodies, researchers and the public in order to create a full picture of how the register can act as an effective platform for communicating relevant information about charities to the public. Eighty per cent of charities on our register have incomes of under £100k, and a key aim of our work will be to ensure the register provides a way to showcase their impact to the public in a clear and transparent way.

IV Working with government

As the expert charity law regulator in England and Wales, we routinely engage with partners in government, the principal regulators of exempt charities and primary regulators of charities in other jurisdictions, to provide advice on policy matters relating to charity regulation and charity law.

Last year, for example, we engaged with the Office for Students in its transition from HEFCE, including providing advice on the Principal Regulator role. We also engaged with the Welsh Government on non-domestic rates, in particular abuse involving charities.

We also engage extensively with Parliamentarians, on a range of issues; for example, this year, we gave evidence to the International Development Committee as part of its inquiry into sexual abuse and exploitation in the aid sector.

Working in partnership to improve safeguarding in charities

Since the revelations about Oxfam in February 2018, we have undertaken an extensive range of projects, aimed at strengthening safeguarding in charities, and ensuring charities are safe places for all.

This work, which so far has included improving and better communicating our guidance for charities on safeguarding, reporting serious incidents and whistleblowing as set out elsewhere in this report, has been funded in part by the Department for Digital, Culture, Media and Sport (DCMS).

We also supported two summits on safeguarding for charities working domestically, as well as an international development summit led by the Department for International Development.

DCMS continues to fund some of our work in this area; for example, we are currently developing a DCMS-funded communications and awareness raising campaign aimed at ensuring charities fulfill legal duties to safeguard children and adults at risk, and also develop safe cultures for all who come into contact with them.

Joint project to release dormant charitable funds

Supported by a grant from the DCMS, we are working with UK Community Foundations to help release and revitalise dormant and underused charitable funds. This work aims at ensuring that funds already available to the charitable sector are used to best effect around the country.

To date, the *Revitalising Trusts Programme* has secured the release of £10 million. The work is ongoing, and we hope to release a further £10 million by March 2020.

The UK's mutual evaluation by the Financial Action Task Force

Throughout 2018, and before, we worked closely with partners across government on the UK's preparation for its mutual evaluation by the Financial Action Task Force (FATF). FATF is the inter-governmental body that sets standards for, among other things, anti-money laundering and counter terrorist financing.

Thanks in part to the Commission's contribution to the UK's submission, FATFs final mutual evaluation report for the UK, published in December 2018, gave this country the highest rating of any country assessed in this round of evaluations; this includes achieving the highest ratings relating to the protection of charities and the wider non-profit sector from abuse for terrorist financing. In particular, the report recognised the Commission's risk-based approach to tackling terrorist abuse of charity, and our work in supporting charities to protect themselves against it. We have led the way in making clear that the risks of this type of abuse are not shared equally across the charitable sector, but are of serious concern where it does arise.

Supporting joint guidance on free speech

In 2018-2019, we worked with the DfE, the Equality and Human Rights Commission and a number of higher education organisations to support the creation of joint guidance on free speech in universities and other higher education settings. As the regulator of charitable students unions' and some charitable higher education providers, we were pleased to contribute to the guidance, which supports trustees in their decision-making, making it easier for trustees to understand how they can ensure that emotive subjects can be discussed and debated in an open, accessible environment. Ultimately, the guidance will help trustees make balanced decisions in order to bolster the positive impact their charities have on society.

Review of our legal powers

In March 2019, DCMS began a new project to review the Charities (Protection and Social Investment) Act 2016; we are supporting this work, and are using the opportunity to review the adequacy of our powers to tackle misconduct and mismanagement in charities.

Looking ahead

We will promote the public's interest in the continued importance of charity by using our policy agenda to shape the debate on how the sector must change to secure and strengthen its future.

We will also keep charity law and our regulatory remit under review, to ensure it best enables us to regulate more effectively.

V Corporate accountability

Complaints and the Parliamentary and Health Service Ombudsman (PHSO)

The Commission operates a two-stage internal process for considering complaints. Stage one is an opportunity for fresh consideration within the team dealing with the original issue. Stage two is an arm's length review if the matter has not been resolved.

The number of complaints that reached stage two increased from 19 to 32 this year. We generally deal with three main types of allegations at stage two – insufficient regulatory intervention, mistakes/unclear or incorrect advice, and discrimination/bias/unfairness.

Of the 35 issues considered as complaints, we partially upheld 9 issues (compared to 53 issues raised and 10 partially upheld last year).

The Ombudsman assessed four new complaints this year; two have not been taken forward and two are still being assessed.

A complaint from a previous year was resolved by the Ombudsman in 2018-19 and as a result we were required to make a consolatory payment of £3,500. It was determined that there were a number of actions and decisions during the conduct of the case that represented failure of proper service to those affected.

FOIs

We received and responded to **672** Freedom of Information requests during the year (2017-18: 637). Of these, **82%** were responded to within statutory timescales. During the year, we had **27** data subject access requests.

KPIs

The Commission uses a series of key performance indicators (KPIs) to monitor operational performance for its casework. The majority of these are internal facing KPIs, including a range of measures that track the number of cases we deal with and the average time taken to resolve them. They also measure the number of accounts and annual returns filed on time and their quality.

Helen Stephenson
Chief Executive and Accounting Officer
27 June 2019

Part 3 Legal Annex

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

CA/2018/001 OGUZ v CHARITY COMMISSION

(FTT– trustee removal order under section 79(4) of the 2011 Act)

This was an appeal against the Commission's order to remove a trustee under section 79(4) of the 2011 Act during the course of its inquiry into Save the Needy Worldwide (**STNW**). It is the first Tribunal decision concerning a Commission order to remove a trustee since 2009.

STNW was a charitable incorporated organisation, established and registered with the Commission in February 2015. It provided aid in high risk areas outside the UK. The Commission made an order to remove the trustee after:

- It identified serious regulatory concerns including a lack of due diligence in respect of STNW's partner agencies, poor financial management, a lack of records to evidence end use of charitable funds, and general poor governance
- STNW failed to comply with the action plan issued to improve the management and administration of the charity and to ensure that the trustees complied with their legal duties and acted in STNW's best interests
- The trustee attempted to travel to Turkey with £3,260 of charitable funds in cash, which were seized under the Proceeds of Crime Act 2002 at Luton airport. The trustee was previously stopped by police officers whilst travelling through Heathrow airport with over £12,000 of funds belonging to another charity, Worldwide Ummah Aid (WUA). WUA was also subject to a Commission inquiry

The FTT dismissed the trustee's appeal against the removal order. It found that the case for the removal order was compelling and that this case was bolstered by the trustee's previous similar misconduct in respect of WUA.

The FTT considered for the first time section 76A of the 2011 Act. This section was introduced by the Charities (Protection & Social Investment) Act 2016. It allows the Commission to take a person's conduct in another charity into account when considering whether to remove the person as a trustee of the charity subject to the inquiry. The FTT agreed that the Commission had used this discretion appropriately.

As a result of the removal order, the trustee is automatically disqualified from being a trustee for or of any charity under section 178(1) of the 2011 Act (and as of 1 August 2018, from holding a position with senior management functions under section 178(3) of the 2011 Act).

The decision provides helpful guidance on the Commission's power under section 79(4) of the 2011 Act to protect charities by removing individuals who are not fit to run them.

Read the FTT's decision here.

CA/2017/0014 HIPKISS v CHARITY COMMISSION

(FTT – removal of a charity from the register under section 34(1)(a) of the 2011 Act)

This was an appeal against the Commission's decision to remove the Human Organ Preservation Research Trust (**HOPRT**) from the register of charities, acting under section 34(1)(a) of the 2011 Act. It is a rare decision on the Commission's power to remove an institution from the register on the grounds that it had been mistakenly registered.

HOPRT operates within the field of cryonics, which involves the storage of the brains and/or bodies of legally dead humans at low temperatures, in the hope that it will become possible in the future to reverse the ageing process and cause of death and transplant that person's brain and/or other organs in a way that preserves their individual characteristics.

The Commission removed HOPRT from the register of charities because it considered that there was insufficient evidence to show that HOPRT was established for exclusively charitable purposes and that it is not and has never been a charity in law. The Commission considered that its purposes included the promotion and facilitation of cryopreservation, which it did not accept as charitable.

The FTT found that HOPRT is a charity and directed the Commission to restore it to the register. It concluded that:

- The evidence did not show that HOPRT was mistakenly registered. Rather, the purposes set out in HOPRT's trust deed are the true purposes for which it was established. HOPRT did not have an additional, unexpressed purpose of promoting and facilitating cryopreservation

- Although research into cryonics and cryopreservation is speculative, it passes the test for educational value in charitable research. The FTT held that it was a useful subject of study and that there was evidence that HOPRT disseminates the knowledge it acquires

- HOPRT's purposes operated for the public benefit. The FTT determined that charitable research into cryonics and cryopreservation is a "good thing" and that HOPRT's services were provided at a cost that made them accessible to a sufficient section of the public

The FTT expressed some concerns about HOPRT's field research into cryopreservation because it did not distinguish between conducting research and providing cryopreservation services to the public. The FTT was also concerned that HOPRT's trust deed did not expressly provide for the provision of cryopreservation services to the public, and concluded that the trust deed had become stale and in need of updating. It went on to suggest that the provision of cryopreservation services might properly be carried out by a non-charitable organisation which enters into a research protocol with HOPRT.

However, these concerns were regulatory ones, not concerns about HOPRT's status as a charity. It therefore remitted to the Commission consideration of whether any regulatory advice or action was required in relation to HOPRT's activities, and whether it would be permissible for HOPRT to adopt different objects.

Read the FTT's decision here.

UT/2017/0162 CHARITY COMMISSION v (1) CAMBRIDGE ISLAMIC COLLEGE (2) CAMBRIDGE MUSLIM COLLEGE

(Upper Tribunal – name change direction under section 42 of the 2011 Act)

In this case, the Upper Tribunal considered the Commission's power to direct a charity to change its name in section 42 of the 2011 Act for the first time.

Two charities, Cambridge Islamic College (CIC) and Cambridge Muslim College (CMC), were in dispute about CIC's name. After engaging with the charities, the Commission directed CIC to change its name on the basis that CIC's name was:

- "Too like" that of CMC (section 42(2)(a)(ii))

- Likely to give the impression that it was connected with CMC, when it was not (section 42(2)(d)).

In 2017, CIC appealed to the FTT, which quashed the Commission's name change direction. The FTT concluded that the "too like" test in section 42(2)(a)(ii) of the 2011 Act is a simple visual or aural test, and that the words "Muslim" and "Islamic" were not therefore "too like" each other. The FTT also found that CIC's name was not likely to give the impression that it was connected with CMC.

The Commission appealed the FTT's decision to the Upper Tribunal. The Upper Tribunal agreed with the Commission that:

- The FTT was wrong to limit the "too like" test to the criteria of aural and visual similarity only
- The words "too like" should be given their ordinary meaning, which is broad and open-ended and is not focussed only on visual or aural similarity. The Commission can therefore consider all forms of similarity when making a name change direction, including conceptual similarity of charity names
- When applying the "too like" test it would have been an error not to look at the whole name, as opposed to the individual words in it. However, the FTT had considered all three of the words in the names of CIC and CMC

After setting out the law, the Upper Tribunal found that, on the facts, CIC's name was not "too like" that of CMC and dismissed the Commission's appeal.

The Upper Tribunal's decision provides useful clarification of the law relating to the Commission's power to require charity names to be changed. The decision supports the Commission's broader interpretation of the "too like" test in section 42(2)(a)(ii).

Read the Upper Tribunal's decision here.

UT/2017/0167 DENSHAM v CHARITY COMMISSION

(Upper Tribunal - allotment land held on charitable trusts)

In this case, the Upper Tribunal dismissed an appeal against a Charity Commission scheme made in relation to land used as allotment gardens in Hughenden, Buckinghamshire. The decision confirms that the land is held on charitable trusts.

The land was held by Hughenden Parish Council under two awards made under the Inclosure Act 1845. It was allotted to the churchwardens and overseers of the poor "to be held by them and their successors in trust as allotments for the labouring poor of the said parish". The appellant local resident argued the land was not held on charitable trusts, but rather for the corporate (public) purposes of the local authority, so the Commission could not exercise its scheme-making powers and should remove it from the register of charities. The appellant was unsuccessful in the FTT and appealed to the Upper Tribunal.

The Upper Tribunal undertook the task of untangling the complex legislative framework of the 19th and early 20th century in respect of allotments. It found that the answer to the whether there was a charitable trust lay in close contextual analysis of the inclosure awards themselves. The Upper Tribunal held that determinative factors included:

- Whether a trust or covenant mechanism is deployed to impose obligations as to the use of the land
- Whether those obligations are described as positive or negative in nature
- Whether there is an element of "bounty" (or philanthropy) present in the dedication of the asset to charity
- Whether there is found to be an "imperative dedication" to charitable purposes
- The principle that the word "trust" used in a technical sense cannot simply be ignored. The Upper Tribunal noted that it is well accepted that words in an enactment should be given meaning rather than disregarded. On the facts, the Upper Tribunal found that the land was held on valid charitable trusts. The Commission was therefore right to keep the charity on the register of charities and to exercise its scheme making powers in relation to it.

Read the Upper Tribunal's decision here.

Part 4 Financial Report

The resource accounts report a revenue underspend of £0.3 million (2017-18: £0.3 million). This underspend amounts to 1.1% of our £27.1 million annual budget, which reflects the tight margins under which the Commission operates in order to maximise resource utilisation.

Our total revenue budget of £27.1 million is funded largely by an HM Treasury grant of £25.5 million (2017-18: £20.8 million), supplemented by additional income of £1.6 million.

Last year we reported that HM Treasury was adding an additional £4 million revenue Delegated Expenditure Limit (DEL) to our baseline from 2018-19, primarily to fund annual increases in our caseload volume. The extra revenue funding has been largely invested in front-line resources, including new staff.

The following table sets out our funding limits over the current spending period (2015-2020). In 2018-19 our revenue DEL will increase by £1.6 million principally due to a planned carry-forward of funds from the current year via the HM Treasury budget exchange scheme and new funding to partially offset an uplift in pension costs, which is common to the whole of government.

	2015-16 (£'000)	**2016-17** (£'000)	**2017-18** (£'000)	**2018-19** (£'000)	**2019-20** (£'000)
Revenue DEL	23,201	22,890	20,810	25,450	27,043
of which non ring-fenced	22,351	21,740	19,310	23,850	25,343
of which ring-fenced depreciation	850	1,150	1,500	1,600	1,700
Capital DEL	2,200	2,880	3,620	2,200	1,200

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

Financial performance against statutory limits

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

	Revenue Del (£'000)	**Capital Del** (£'000)	**Net Cash Requirement**(£'000)
Main Estimate	25,950	2,200	26,480
Supplementary Estimate	(500)	0	(500)
Final Limit	**25,450**	**2,200**	**25,980**
Expenditure and/or cash used	25,183	2,002	25,690
Surplus for year	**267**	**198**	**290**
Performance within funding limit?	✓	✓	✓

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

Sustainability Report

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

Greenhouse Gas Emissions

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

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

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

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

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

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

Detailed analysis of performance on Scope 3:

		2014/15	2015/16	2016/17	2017/18	2018/19
Scope 3 Business Travel Gross Emissions. CO2/ Tonnes		78.3	72.8	120.3	123.7	116.18
Financial indicators (£'000)	Expenditure on official business travel	349	482	604	514	479

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

Helen Stephenson

Chief Executive and Accounting Officer

27 June 2019

Part 5 Accountability Report

Statement of Accounting Officer's responsibilities

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

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

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

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

The annual governance statement below sets out the Commission's governance, risk management and internal control arrangements for the financial year 2018-19 and up to the date of approval of our annual report. I have not prepared a separate Directors' Report as the contents of which are included within the Financial Report.

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

Annual governance statement 2018-2019

The Commission's governance structures

The Commission's Board is responsible for strategic oversight of the Commission. In particular it is responsible for developing strategy, monitoring progress, overseeing legal matters, providing corporate governance and assurance, and managing corporate risks. It comprises a Chair, myself as Chief Executive, two members with legal qualifications, one member with knowledge of conditions in Wales and four additional members with relevant skills and expertise in technology, accountancy, risk, security and the charity sector.

All Charity Commission Board members, bar the Chief Executive, are appointed by the Secretary of State for Department for Digital, Culture, Media and Sport (DCMS) through open and competitive selection and serve for an initial term of three years, renewable up to a maximum tenure of ten years. They use their range of backgrounds, skills and expertise to provide strategic direction and oversight.

Revised Governance Framework

Following an independent review of our governance arrangements and effectiveness, the Board approved a revised governance framework, which came into effect in September 2018. This revised framework created a unitary board, which from September 2018 includes myself as the Chief Executive, and clarified the role of the Board, particularly in terms of the key decisions that it should reserve to itself, and clarified the role of committees.

Committees of the Board

As part of the governance review, the Committee structure underwent reform during the year. The Board revised the remits of the Audit, Risk and Technology Committee, reserving finance and technology for the Board, and establishing the Audit and Risk Assurance Committee; and the Governance and Remuneration Committee, reserving governance matters to the Board and creating the Remuneration and Appointments Committee. The Board also revised the terms of reference of the Policy and Guidance Committee.

In February 2019 a new committee was established, the Core Change Committee, to oversee the CEO's Core Change Project. This is a short-term Committee which aims to disband by the end of 2019.

Board

Overall strategy and future direction of the Commission

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

Changes to the Board

During the course of 2018-19 there were several changes to the Board:

- Eryl Besse, Deputy Chair of the Commission, member for Wales, Chair of the Policy and Guidance Committee and member of the Public Interest Litigation and High Risk Cases Committee and the Governance and Remuneration/Remuneration and Appointments Committee, stood down from the Board in December 2018 at the end of her second term
- Tony Leifer, legal Board member, Chair of the Public Interest Litigation Committee and member of the Policy and Guidance Committee, stood down in December 2018 at the end of his second term
- Helen Stephenson, CEO, became a member of the Board from September 2018
- Tony Cohen was appointed to the Board in January 2019 for a three year term
- Nina Hingorani-Crain was appointed to the Board as the member for Wales in January 2019 for a three-year term
- Ian Karet was appointed to the Board as a legal Board member in January 2019 for a three-year term

The Board was also supported by independent specialists.

David Gillies BA (Hons), FCIPD, former HR Director Ofgem	Continues as the independent co-optee of the Governance and Remuneration Committee since his re-appointment in May 2018.
Alison White MBA, governance consultant	Appointed to provide independent governance and strategic risk advice from April 2018. She has attended Board meetings as a presenter. She was an independent member of the Core Change Committee until 31 May 2019, a Committee established in February 2019.

Changes to Committee membership

The departure from the Board of Eryl Besse and Tony Leifer and the arrival of Tony Cohen, Nina Hingorani-Crain and Ian Karet necessitated a review of the Board's committee Chairs and membership. The new membership was approved by the Board in January 2019. The current membership is:

Audit and Risk Assurance Committee: Nina Hingorani-Crain (Chair); Laurie Benson; Tony Cohen; Paul Martin.

Core Change Committee: Tina Stowell (Chair); Mike Ashley; Tony Cohen (chair from May 2019).

Policy and Guidance Committee: Mike Ashley (Chair); Laurie Benson; Kenneth Dibble; Catherine Quinn.

Public Interest Litigation and High-Risk Cases Committee: Paul Martin (Chair); Kenneth Dibble; Ian Karet; Nina Hingorani-Crain; Helen Stephenson.

Remuneration and Appointments Committee: Tina Stowell (Chair), Ian Karet; Catherine Quinn (chair from May 2019); David Gillies (independent member).

Members' interests

We require board members to declare all relevant personal or business interests and record these in our register of interests. Any potential conflicts of interest are declared and recorded at the outset of each board or committee meeting and, if needed, the individual(s) take no further part in decision making, or withdraw as required.

A register of members' interests is published on [GOV.UK at https://www.gov.uk/government/organisations/charity-commission/about/our-governance#register-of-board-members-interests](https://www.gov.uk/government/organisations/charity-commission/about/our-governance#register-of-board-members-interests)

Attendance at meetings

Attendance of Board members and independent members during 2018-19 is listed in the below table.

	Board meetings		Audit, Risk and Technology Committee / Audit and Risk Assurance Committee (from September 2018)		Governance and Remuneration Committee / Remuneration and Appointments Committee (from September 2018)		Policy Guidance Committee		Public Interest Litigation and High Risk Cases Committee		Core Change Committee (from February 2019)	
	Attendance	Attendance %	Attendance	Attendance %	Attendance	Attendance %	Attendance	Attendance %	Attendance	Attendance %	Attendance	Attendance %
Board members												
Tina Stowell (Chair)	9/9	100%			3/3	100%					2/2	100%
Mike Ashley	7/9	78%	3/3	100%			1/1	100%			2/2	100%
Laurie Benson	9/9	100%	4/4	100%			3/3	100%				
Eryl Besse	6/6	100%			2/2	100%	2/2	100%	4/4	100%		
Tony Cohen	3/3	100%	1/1	100%							2/2	100%
Kenneth Dibble	9/9	100%					3/3	100%	5/5	100%		
Nina Hingorani-Crain	3/3	100%	1/1	100%					1/1	100%		
Ian Karet	3/3	100%			1/1	100%			1/1	100%		
Tony Leifer	6/6	100%					2/2	100%	4/4	100%		
Paul Martin	9/9	100%	1/1	100%	2/2	100%			5/5	100%		
Catherine Quinn	8/9	89%	3/3	100%	3/3	100%	3/3	100%				
Helen Stephenson (CEO)	7/7	100%			2/2	100%			5/5	100%		
Independent co-optees												
David Gillies					3/3	100%						
Alison White											2/2	100%

Further to the scheduled Board meetings, a Board strategic away day took place in May 2018 and an extraordinary meeting took place in June 2018.

During 2018-19, Board members Ian Karet and Catherine Quinn took no remuneration for their role.

The Board

The Board considered reports on strategic, operational, financial, legal and corporate issues. In particular, areas of focus last year included:

- Establishing the Charity Commission's purpose and benefits
- Developing and approving the 2019-2023 strategy
- Developing and approving the 2019-20 business plan
- Approving and implementing the findings of the independent governance review
- Approving the risk operating model (charity risk)
- Approving the corporate risk management framework (including a revised set of strategic risks and, in May 2019, its risk appetite)
- Approving the Information Technology (IT) roadmap
- Publishing new guidance on charities promoting complementary and alternative medicine
- Improving the Commission's approach to responding to serious incident reports regarding safeguarding
- Improving operational performance reporting
- Oversight of legal matters

All committees provided reports to the Board following each of their meetings.

Business conducted by Committees during the year

The **Audit and Risk Assurance Committee (prior to September 2018 the Audit, Risk and Technology Committee)** met four times during the year and provided scrutiny, oversight and assurance to me, as accounting officer, and to the Board with regard to the efficient stewardship of the public resources under my control, the integrity and accuracy of our financial statements and annual governance statement, and scrutiny of any reportable incidents such as staff whistleblowing or allegations of fraud. During the year the committee reviewed the effectiveness of corporate risk management and compliance with the new General Data Protection Regulation (GDPR). Until September 2018, the committee also reviewed technology strategy, IT security and development.

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

All ARTC / ARAC meetings were attended by external (National Audit Office – NAO and Grant Thornton –

GT) and internal (Government Internal Audit Agency – GIAA) auditors.

The **Public Interest Litigation and High Risk Cases Committee** held five meetings during the year and, with the Executive, monitored complex and high risk cases and those where litigation in the public interest is being considered or underway.

The **Policy and Guidance Committee** met three times during the year to consider our new and updated guidance, including charities which use or promote complementary and alternative medicine and charities with links to non-charities. The Committee also reviewed the Commission's approach to safeguarding, including updating guidance on reporting serious incidents and whistleblowing.

The **Remuneration and Appointments Committee** (prior to October 2018 the Governance and Remuneration Committee) met three times during the year, when it evaluated the performance of our most senior officials to determine fair remuneration levels, in compliance with government policy, and to agree the pay remit for staff.

The **Core Change Committee** was established in February 2019. It met in February and March 2019 to oversee the CEO's Core Change Project.

Corporate governance code

The corporate governance code[1] (the 'code') remains in force. Whilst it is primarily applicable to government departments, as a non-ministerial department we adopt and adhere to the code where it is constructive and practical to do so, and not incompatible with our statutory duties.

We undertook our annual assessment of our governance arrangements against those requirements within the code applicable to us, and have concluded that we remain compliant with both its spirit and principles.

Quality of information provided to the Board and Committees

The Board and its Committees receive management information covering a variety of disciplines to enable them to monitor the Commission's performance. This includes financial and workforce data; indicators of progress against agreed priorities and information on risk. Our performance dashboard was reviewed to ensure its alignment with our new strategy, resulting in more detailed reporting to the Board of casework activity and outcomes. In addition, the Core Change Committee is reviewing the operational performance targets required for future reporting to the Board.

Executive leadership

Operational leadership across the Commission is the remit of my team of executive directors, the Directors' Group (DG). Collectively, we are responsible for day-to-day decision making, and the delivery of policy and work programmes to achieve the Commission's statutory duties and strategic aims. DG is the principal interface with the Commission's Board. Following the independent review of governance arrangements, I invited the reviewer to advise me on steps I could take to strengthen the executive governance, oversight of casework and operational performance. As a result, I have made a number of governance changes and the implementation of my change and improvement plan is overseen by the Core Change Committee established in February 2019.

1 Corporate governance in central government departments: code of good practice – 2017

CEO

Helen Stephenson CBE

Operations	Investigations, Monitoring and Enforcement	Policy, Planning and Communications	Legal Services	Corporate Services
David Holdsworth Deputy CEO and Registrar	Michelle Russell Director	Sarah Atkinson Director	Aarti Thakor Director	David Jones Director
• Charity services • Infrastructure services (IT and digital services) • Registrar and assurance • Registration • Regulatory compliance	• Investigations • Outreach • Monitoring and enforcement • Compliance, visits and inspections • Accountancy services • Development and operational intelligence	• Strategy and insight • Guidance and practice • External affairs • Digital communications and engagement • Governance and corporate office	• Legal compliance • Legal policy advice • Charities legislation • High risk registration • Litigation and decision review • Information Law	• Finance and procurement • HR • Change management and internal communications • Records, information governance and assurance • Estates and security

DG met formally each month, where our focus was on:

- Developing and commencing implementation of our strategic and business plans
- Assessing existing Commission resourcing against priorities and risks, and considering options for longer term funding of the Commission
- Planning and overseeing the recruitment of additional staff, including induction and training
- Implementing a revised risk operating model
- Commissioning and implementing an ambitious IT strategy
- Overseeing the Commission's implementation of the General Data Protection Regulations (GDPR)
- Implementing improvements to the structure and operations of DG, each meeting is structured around four areas: performance, strategy and policy, change and people

Portfolio Board: This was established in January 2018 and ran until January 2019, in order to provide oversight of, and direction for, the Commission's portfolio of major change projects. Its role was taken on by the Directors' Group who now take all decisions regarding major change projects.

Directors' Group, and previously the Portfolio Board, was supported by Jan Gower, former IBM Executive and PwC partner who attends relevant items of DG to provide advice on digital and technology, a role she has performed since October 2015.

Strategy and Management Groups: Strategy and management groups support effective decision making and report to DG. The structure of these groups was amended late in the financial year. Previously there were three covering Charity Risk (chaired by the Head of the Risk Assessment Unit), IT (chaired by the Chief Digital and Technical Officer) and Data and Information (chaired by the Deputy Registrar). Recognising the cross-cutting nature of data, and in advance of the business plan commitment to develop an organisation-wide data strategy, we have allocated responsibilities for data across the Charity Risk and IT groups, and added two new groups: People (chaired by the Head of HR) which begun its work in April 2019, and Customer Service, which is yet to agree its terms of reference and membership. These changes now more clearly align our management groups with the DG structure and organisational strategy.

Other Groups

Other groups that support the Directors' Group in delivering effective governance include:

Engagement Champions: This group is chaired by myself. Membership is drawn from all directorates and grades.

Diversity and Inclusion Forum (formerly Equality, Diversity and Values Steering Group): This group was chaired as the EDVSG by Board member Eryl Besse until December 2018, and in January 2019 formed into the Diversity and Inclusion Forum, chaired by the director champion, Michelle Russell. It held 9 meetings during the year. Membership is drawn from all directorates and grades across the Commission. This year the Group worked on a new diversity and inclusion strategy and taking forward the results of an internal audit. It also continued its focus on the promotion of good mental health as well as raising awareness on a number of other areas including celebrating black history month and a staff-wide carers' network.

Security Steering Group (SSG): The SSG is chaired by the Director of Corporate Services. Membership also includes the Commission's DSO (Departmental Security Officer), Head of Infrastructure Services and Data Protection Officer. Its purpose is to give overall direction on security policies; formulate, educate, direct, issue and review security policy and manage the response to security incidents and issues.

Health & Safety Committee: Chaired by the Director of Corporate Services, it met four times during the year to oversee health and safety at the Commission and monitor progress against our health and safety action plan.

Risk management

Our Corporate Assurance Framework operated throughout the year, maintaining strategic and operational risk registers to contain or minimise material risks. Our directors and ARAC continued their regular reviews of risk registers with ARAC undertaking the programme of deep dives detailed above. In the autumn, the Board undertook a review of processes for assessing and managing corporate risk to strengthen our approach and ensure it was properly embedded in the organisation. The Board considered its risk appetite to ensure alignment between our new five-year strategic plan, the delivery priorities identified in our business plan and the changes we made to our governance structures in the year.

The result has been a new Corporate Risk Management Framework and a revised strategic risk register and appetite. We have developed an implementation plan to ensure this framework is adopted throughout the organisation. The Framework is being cascaded into directorate and functional risk registers to align these to the strategic risks and integrate them with business planning and casework risk processes. To seek assurance that we are conforming with best practice, relevant to our size and operations, we have commissioned assurance reviews by internal audit during 2019-2020.

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

IT systems and cyber security

As for many organisations, the risks of cyber-attack or major system failure are amongst the most significant we face, particularly given our legacy IT debt. In addition to routine maintenance, testing and patching regimes, we are part way through a programme to renew our legacy infrastructure to improve its security and resilience and protect our vital data assets. The programme includes migration to the latest Microsoft cloud software platform. We plan to increase the protection and minimise the risk of a cyber-attack by commissioning a Security Operations Centre to protect and defend against all types of cyber threats and perform regular penetration tests and a Cyber Essentials Plus assessment yearly.

Workforce capacity

Over the year we saw our workforce grow by approximately a third, employing a mix of fixed-term and permanent staff. We established a corporate project to manage this initiative to ensure that we recruited the best-quality staff with disruption to business-as-usual minimised during induction. Nonetheless, demands on our services continue to rise, and are compounded by the relatively small size of our individual teams. This means that urgent and new requirements are often difficult to accommodate. This poses risks to the well-being and safety of our staff. We continue to tackle this risk through rigorous prioritisation and business planning, new learning and development packages, featuring essential core and technical skills, a staff engagement programme and our independent employee support facility. However, given the rise in demand for our services, this continues to be a risk to the organisation.

Political uncertainty

In common with other organisations, political uncertainty presents risks which may undermine our ability to carry out our statutory functions. Opportunities to enhance our legal powers to help us to regulate in a changing landscape will also be affected if we are unable to secure legal and policy changes. Effective regulation is essential for tackling wrongdoing and holding charities to account and is fundamental to maintaining trust and confidence in us from both the public and our stakeholders.

Case working and customer service

The services we deliver must provide effective and efficient outcomes, while identifying and tackling wrongdoing in charities through prudent use of valuable public resources. Within the year we reviewed our methods for assessing charity and sector risks to align our regulatory priorities with those risks. We also revised the way that incoming work is assessed and allocated, and planned the transformation of our case working processes to improve their timeliness, effectiveness and consistency, as well as the guidance and specialist support our workforce needs to operate successfully. This transformation will commence in 2019-2020.

Failures in governance

To maintain public and stakeholder trust it is essential that we fulfil our statutory duties and act within our remit. The year saw a refresh of our governance structures for both board and senior management and a reshuffle of members and chairs of committees. We updated the terms of reference for our committees, strengthened the remit of Directors Group, and reformed our strategy and management groups as set out earlier. The new corporate communications strategy we have adopted ensures that staff are kept informed of changes and have an opportunity to feed in their comments.

Loss of data or data breaches

The risk of failures in the confidentiality, integrity and availability of the personal data we hold was, and remains, prominent. Alongside the practices to control cyber security risks highlighted above, we ensured that system users, at all levels of the commission, were trained on the new legal privacy requirements which came into force in 2018, with additional training for information asset owners. We revised and relaunched policies governing the use of email and commission facilities, ran a number of communication campaigns reinforcing good practice in safeguarding our data and introduced new organisational policies for responding to data breaches. More information about the ways in which we are improving data protection can be found in the next section.

Data protection

Ensuring compliance with revised data protection legislation implemented in 2018 through the General Data Protection Regulation (2016) and Data Protection Act (2018) remained a prominent activity for the year and a priority for me. I committed resource and effort to strengthening our compliance through a corporate taskforce we initiated in 2017, led by our Data Protection Officer. As our understanding of the new legal requirements matured, we delivered changes to build compliance and tackle any shortfalls. Key achievements have included: creating new privacy notices for platforms requiring processing of personal data; implementing a new privacy by design and default policy; improvements to how we manage and protect information assets throughout their lifecycle; cleansing unnecessary personal data from our systems and launching new policies which fulfil data subjects' rights. Our work is continuing in 2019-20 as we embed our privacy compliance framework to maintain continuous improvement in the way that we process personal data.

The new data incident management procedure we launched in 2018 encourages the prompt reporting of potential data breaches and other security incidents. It requires immediate responses to contain and remediate confirmed breaches, and to identify and implement changes required to prevent re-occurrences.

Category/Nature of personal data breach	Incidents reported to ICO	Incidents not reported to ICO
I Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises	0	0
II Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises	0	0
III Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0	0
IV Unauthorised disclosure	0	16
V Other	0	0
Total	**0**	**16**

Independent Assurance and Scrutiny

As in previous years, I used the Government Internal Audit Agency (GIAA) to deliver our annual assurance programme. I adopted a different approach this year, commissioning fewer, but more detailed assurance reviews supplemented with two advisory reviews.

The assurance reviews completed during the financial year received an overall 'Moderate' rating, the second highest of four assurance levels and meaning that some improvements were required to enhance the adequacy and effectiveness of the framework of governance, risk management and control. Several elements of GIAA's Financial Controls audit, received a 'Substantial' assurance rating, the highest possible level of assurance.

We worked particularly closely with GIAA this year to ensure that that we maximised the value of their findings. During the year we completed three audits and two advisory reports. Of the 13 audit report recommendations agreed, one required priority management responses and were actioned immediately. Insights from GIAA's advisory reviews were used to inform the design of our new Corporate Risk Management Framework and to support our review of internal assurance activity, which has underpinned the construction of the annual governance statement.

There were no matters arising from the work of internal audit during the period that requires separate comment. Their year-end report confirms that our strategic, operational business and financial systems are underpinned by sound governance, risk management and control framework by design and operation and that we are making the required improvement to controls within a 'culture conducive to change and learning'.

In December 2018 the Civil Service Commissioners completed an audit of our recruitment practices. The Commissioner audit identified one breach to recruitment principles due to failure to follow process. We have invested in training all recruiting managers to avoid any future breaches.

Accounting officer's statement of effectiveness

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

Helen Stephenson
Chief Executive and Accounting Officer
27 June 2019

Remuneration and staff report

1.Remuneration Report

Service contracts

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

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

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

Salary and pension entitlements

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

Remuneration (audited)

All non-executive Board members (excluding the Chair) serving in 2018-19 received a fee of £350 per day (unchanged from last year), so their overall fee/salary reflects days worked. Catherine Quinn and Ian Karet have provided their services at no cost. No pension contributions are paid (2017-18: £nil).

Board, Chair and Chief Executive	Fee/Salary £'000		Bonus payment £'000		Pension benefits £'000		Total £'000	
	2018-19	**2017-18**	**2018-19**	**2017-18**	**2018-19**	**2017-18**	**2018-19**	**2017-18**
Baroness Stowell MBE Chair	60-65	5-10 (60-65 full year equivalent)	0	0	0	0	60-65	5-10 (60-65 full year equivalent)
Helen Stephenson CBE Chief Executive	130-135	85-90 (125-130 full year equivalent)	0	0	93	170	220-225	255-260 (295-300 full year equivalent)
Eryl Besse (to 31 Dec 2018)	10-15 (15-20 full year equivalent)	20-25	0	0	0	0	10-15 (15-20 full year equivalent)	20-25
Tony Leifer (to 31 Dec 2018)	10-15 (15-20 full year equivalent)	5-10	0	0	0	0	10-15 (15-20 full year equivalent)	5-10
Mike Ashley	0-5	0-5	0	0	0	0	0-5	0-5
Laurie Benson	5-10	5-10	0	0	0	0	5-10	5-10
Paul Martin CBE	10-15	5-10	0	0	0	0	10-15	5-10
Catherine Quinn	0	0-5	0	0	0	0	0	0-5
Kenneth Dibble	10-15	0-5	0	0	0	0	10-15	0-5
Tony Cohen (from 1 Jan 2019)	0-5 (5-10 full year equivalent)	0	0	0	0	0	0-5 (5-10 full year equivalent)	0
Ian Karet (from 1 Jan 2019)	0	0	0	0	0	0	0	0
Nina Hingorani-Crain (from 1 Jan 2019)	0-5 (15-20 full year equivalent)	0	0	0	0	0	0-5 (15-20 full year equivalent)	0

Co-opted and independent expert members of Board Committees received payments for their services during the financial year. David Gillies was paid £0-5,000 in (2017-18: £nil) and Alison White, £0-5,000 (2017-18: £nil).

Directors	Fee/Salary £'000		Bonus payment £'000		Pension benefits £'000		Total £'000	
	2018-19	**2017-18**	**2018-19**	**2017-18**	**2018-19**	**2017-18**	**2018-19**	**2017-18**
Sarah Atkinson	80-85	75-80	0-5	0	35	30	115-120	105-110
Aarti Thakor (from 21 May 2018)	65-70 (80-85 full year equivalent)	0	0-5	0	31	0	100-105 (110-115 full year equivalent)	0
Michelle Russell	85-90	90-95	0-5	0	30	24	120-125	115-120
David Jones	85-90	95-100	0	0	25	9	110-115	100-105
David Holdsworth	80-85	85-90	5-10	5-10	32	34	120-125	130-135

Tim Stockings is an interim Director employed via a 3rd party. His salary relates to costs incurred, inclusive of disbursements and VAT. His contract commenced on 7 January 2019. In the financial year the Commission paid agency fees totalling to £51,390 plus VAT.

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

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce. The banded remuneration of the highest-paid director in the Charity Commission as at 31 March 2019 was £130-£135k (2017-18: £130-135k). This was 4.6 times (2017-18: 4.3 times) the median remuneration of the workforce, which was £28,649 (2017-18: £30,581).

In 2018-19, Nil (2017-18: Nil) employees received remuneration in excess of the highest-paid Director. Remuneration ranged from £17,815 to £130,000-135,000 (2017-18: £17,509 to £130,000-135,000).

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

	2018-19	2017-18
Highest earner's total remuneration (£000)	130-135	130-135
Median total remuneration of all staff	28,649	30,581
Ratio	4.6	4.3

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

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

Reimbursement of expenses

Expenses claimed by Board Members are in respect of actual receipted expenditure for travel, subsistence and accommodation in 2018-19. For the Chair, Chief Executive, Directors and other Commission staff, expenses claimed are in respect of costs expended for business travel and accommodation and subsistence allowance, in accordance with Civil Service guidelines. The Commission publishes on its website details of expenses claimed by the Chair, Board Members and the Chief Executive.

Pension Benefits (audited)

	Accrued pension at pension age at 31 March 2019 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2019	CETV at 31 March 2018	Real increase in CETV
	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
Helen Stephenson CBE Chief Executive	35-40 plus a lump sum of 110-115	5-7.5 plus a lump sum of 15-17.5	867	682	94
Sarah Atkinson	15-20	0-2.5	186	141	15
Aarti Thakor (from 21 May 2018)	15-20	0-2.5	155	120	10
Michelle Russell	20-25	0-2.5	349	288	14
David Jones	35-40	0-2.5	721	626	19
David Holdsworth	5-10	0-2.5	62	37	11

Civil Service Pensions

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

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

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

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

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

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

Cash Equivalent Transfer Values (CETV)

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

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

Real increase in CETV

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

Civil Service voluntary exit packages

No Board Members or senior executive officials left under the Civil Service Compensation Scheme (CSCS) Voluntary Exit terms in 2018-19.

2018-19 Staff Report

This year has been both challenging and exciting: in the first six months our focus was almost exclusively on recruiting and on-boarding new staff funded by the additional transition funding provided by HM Treasury. As a result, when turnover of existing posts is included, the Commission welcomed 140 new employees this year. Increasing the staff complement by over a third represented a substantial organisational change, and we delivered this through a structured programme titled "Building One Commission" (BOC). The majority of new posts were frontline in Operations and Investigations, and in addition we expanded our IT function. The table below shows the resulting workforce numbers and profile.

		31 Mar 2017	31 Mar 2018	31 Mar 2019
Staff on payroll	Number in post	307	305	410
Contingent Labour (Agency & Contractors)	Number in post	16	23	12
Workforce shape	Headcount at Pay Band 3 and below	31% (96)	28% (86)	28% (113)
	Headcount at Pay Band 4 and above, excluding SCS	67% (205)	70% (214)	71% (290)
	Senior civil servants	2.0% (6)	2% (5)	1% (6)
Workforce* diversity	BME in full	9%	6%	7%
	Women	53%	57%	57%
	Women (SCS only)	50%	60%	67%
	Disabled	16%	14%	16%
Attendance	Average working days lost	6 days	6.7 days	4.7 days
Civil Service People Survey	Engagement Index %	53%	54%	65%

*The diversity figures above are shown as a percentage of those who have completed a voluntary disclosure. For disability 42% of our workforce have completed the disclosure, and for BAME 82% have completed their disclosure.

Staff Changes over the year

Our workforce has experienced significant change in the 2018-19 financial year. Notable changes include:

- 140 new joiners
- We welcomed 3 new board members
- An increase in our BAME and disabled representation within the workforce
- Our attrition figures were lower this year at 39 leavers compared with 47 previously. The top three reasons for leaving were resignation, transfer to another government department and end of fixed-term contracts

Increasing Capacity

We have used the additional funding secured from Treasury to increase our capacity, focussing primarily on Operations, Investigations and IT. We have delivered:

- A 37% growth in our capacity within Operations with 37 new roles filled, an increase of 36.4 FTE.
- A 39% growth in Investigations capacity with 24 new roles appointed to, an increase of 23.7 FTE.
- A 55% growth in the size of our IT function with 11 new posts created and appointed to.

The split of our workforce at 31 March by employment type (including three posts not included in the table above as they were not graded posts) is as follows:

Type of Appointment	31st March 2019 (% of Headcount)
Permanent Employee	84.7% (357 headcount)
Fixed Term	11.6% (49 headcount)
Secondment In	0.9% (4 headcount)
Contingient Labour	2.8% (12 headcount)

Staff policies applied throughout 2018-2019

Throughout the 2018-2019 year the Commission continued to apply its staff policies, aligned with Civil Service Employee Policy guidance and best practice. The key changes made to staff policies in 2018-2019 were:

- Introducing success profiles to support recruitment in line with Civil Service guidelines to attract and select candidates through a more sophisticated and user-friendly process and to improve workforce diversity and inclusion. A new employer brand coupled with success profiles has been very successful in attracting candidates. Our new approach and positive candidate experience has given us an increased profile as a respected local employer in Liverpool. We also used this as an opportunity to reskill our hiring managers to seek to maximise the effectiveness and fairness of their decisions

- Introducing a refreshed conduct policy to ensure that our people are clear about what is expected of them and are held to account in line with our expectations and Civil Service values

- Reviewing the performance management policy with changes to be introduced in 2019-20 aligned to Civil Service guidance with the objective of enhancing organisational performance and ensuring that all of our people are effectively supporting the delivery of our new strategy and purpose

- Our policy regarding fixed-term contracts, loans and secondments and managed moves was refreshed to support the Commission in becoming a more flexible and agile employer

- Mandatory learning requirements were reviewed and restated to ensure that we are compliant with statutory requirements

- We have reviewed and updated our diversity and inclusion policy ensuring that it remains fit for purpose and we have improved our approach to supporting employees that require reasonable adjustments

Diversity & Inclusion

Our Diversity and Inclusion Forum transformed into an employee-led forum which reflects the enthusiasm of members. The focus this year was on mental health – a combination of employee blogs, the appointment of mental-health first aiders, and a willingness to be open and inclusive about mental health initiatives.

The Commission introduced a new diversity and inclusion strategy to promote diversity and inclusion both within the workforce and in our interaction with customers. The Commission ran events and training to remove barriers and stigma faced by those with protected characteristics including BAME and women in leadership.

Reporting is a legal requirement for organisations with more than 250 employees under the Equality Act 2010 gender Pay Gap Information Regulations 2017. Our 2018 figures show hourly pay of men in the Commission is on average 4.9% more than women, while for bonus payments men average 12.7% more than women. We are developing a plan to address these gaps alongside analysing the position as of March 2019.

Employee engagement

Last year, saw our first ever Employee Awards scheme, designed to encourage and celebrate great corporate behaviours. It proved extremely popular with staff who were invited to nominate colleagues for four different categories of awards: Innovation, Kindness, Excellence and Continuous Improvement. The awards were announced at an inspiring and well attended "One Commission Day".

Our People Survey 2018 results are the highest-ever recorded with an engagement index of 65%, up 11% points from 2017. We also saw our best-ever response rate with 91% of the workforce participating in the survey. This set of survey results showed clear improvements across many themes, which is very encouraging and moves the Commission from the bottom third across the Civil Service into the top third. We are particularly pleased that improved engagement levels are reflected across the organisation at all sites and grades, and that the engagement levels of longer serving employees are comparable to recent recruits. We were very pleased that our survey scores around bullying, harassment and discrimination showed a welcome decrease, but we are not complacent and we will remain committed to developing a culture of openness and one where constructive challenge is encouraged and responded to.

Increasing our capability

We have delivered a dedicated induction programme for our new staff, with 110 employees attending across ten intakes and giving a grounding in technical and organisation essentials. All new recruits are now integrated from Day 1 into our mission, vision, values and strategy, exposed to our desired culture and working practices as well as having an overview of other parts of the business and thorough training in processes, policies and IT systems. The second week focuses on transferring our experts' knowledge of charity law and practice for all those entering operational roles. Feedback shows that the programme has been a very positive experience for new starters and played a key role in early integration into the business.

We have sought to give greater emphasis to leadership qualities as appropriate in our selection processes for senior leaders and for the first time, we have visibly supported and encouraged applications from under-represented groups for the Civil Service Leadership development programmes.

We have introduced a "Line Managers Essentials" programme to increase the capability of our managers, which covers the core skills and knowledge they require to be effective in their role. The roll-out of this programme will continue into the 2019-2020 financial year.

We analysed our succession planning across senior and professional posts. Our findings were examined at Directorate and Board level and our resulting action plan will be implemented over the next 12 months.

Trade Union Facility Time

Type of Appointment	2017-2018	2018-2019
Organisation name	Charity Commission for England and Wales	Charity Commission for England and Wales
Headcount	50 to 1,500	50 to 1,500
Number of TU representatives	17	16
FTE Number of TU representatives	16.07	15.46
Number of TU representatives that spend 0% of working hours on facility time	4	3
Number of TU representatives that spend 1-50% of working hours on facility time	13	13
Number of TU representatives that spend 51-99% of working hours on facility time	0	0
Number of TU representatives that spend 100% of working hours on facility time	0	0
Organisations total pay bill	13,479,812	16,159,470
Total cost of facility time	7,104.25	8407.33
Percentage of pay spent on facility time	0.05%	0.05%
Percentage of total paid facility time spent on trade union activities	5.19%	11.7%

2.1 Staff costs audited

	2018-19			**2017-18**		
	Permanently employed staff (£'000)	Temporarily employed staff (£'000)	Total (£'000)	Permanently employed staff (£'000)	Temporarily employed staff (£'000)	Total (£'000)
Wages and salaries	12,571	0	12,571	10,624	0	10,624
Social security costs	1,280	0	1,280	1,100	0	1,100
Other pension costs	2,459	0	2,459	2,097	0	2,097
Agency staff	0	924	924	0	1,595	1,595
Severance costs	0	0	0	(20)	0	(20)
(Decrease)/Increase in IAS 19: employee benefits accrual	84	0	84	3	0	3
Total	**16,394**	**924**	**17,318**	**13,804**	**1,595**	**15,399**
Charged to Capital	(105)	(181)	(286)	(195)	(557)	(752)
Total Net Costs	**16,289**	**743**	**17,032**	**13,609**	**1,038**	**14,647**

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

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

For 2018-19, employers' contributions of £2.4 million were payable to the PCSPS at one of four rates in the range 20.0% to 24.5% 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 2018-19 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, which is a stakeholder pension with an employer contribution. Employers' contributions of £20.4k were paid to one or more of a panel of three appointed stakeholder pension providers. Employers' contributions are age-related and range from 8% to 14.75%.

Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £Nil, remove , 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

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

Contributions due to the partnership pension providers at 31 March 2019 were £6.5k. Contributions prepaid at that date were £nil.

2.2 Average number of persons employed (audited)

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

	Permanently employed staff	Temporarily employed staff	**2018-19** Number	**2017-18** Number
Charity Commission staff	360	0	360	282
Agency staff	0	13	13	19
Total	**360**	**13**	**373**	**301**

2.3 Reporting of Civil Service and other compensation schemes - exit packages (audited)

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

The table below analyses these exits by cost bandings:

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
Less than £10,000	0	0	0	0	0	0
£10,000 - £24,999	0	0	0	1	0	1
£25,000 - £49,999	0	0	0	0	0	0
£50,000 - £99,999	0	0	0	1	0	1
Total number of exit packages	0	0	0	2	0	2
Total resource cost (£'000)	**0**	**0**	**0**	**87**	**0**	**87**

	2018-19 £'000	**2017-18** £'000
Highest exit package	0	65-70
Lowest exit package	0	15-20
Mean exit package	0	40-45

Parliamentary Accounting Disclosures

Statement of Parliamentary Supply

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires the Commission to prepare a Statement of Parliamentary Supply (SoPS) and supporting notes to show resource outturn against the Supply Estimate presented to Parliament, in respect of each budgetary control limit. The SoPs and related notes are subject to audit.

Summary of Resource and Capital Outturn 2018-19

								2018-19	2017-18
	Estimate				Outturn			Voted outturn compared with Estimate: Saving/ (Excess)	Outturn
	SoPS Note	Voted	Non-voted	Total	Voted	Non-voted	Total		Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Departmental Expenditure Limit									
– Resource	1.1	25,450	0	25,450	25,183	0	25,183	267	20,510
– Capital	1.2	2,200	0	2,200	2,002	0	2,002	198	3,428
Annually Managed Expenditure									
– Resource	1.1	0	0	0	0	0	0	0	(150)
– Capital		0	0	0	0	0	0	0	0
Total Budget		**27,650**	**0**	**27,650**	**27,185**	**0**	**27,185**	**465**	**23,788**
Non-Budget									
– Resource	1.1	0	0	0	0	0	0	0	0
Total		**27,650**	**0**	**27,650**	**27,185**	**0**	**27,185**	**465**	**23,788**

Total Resource		25,450	0	25,450	25,183	0	25,183	267	20,360
Total Capital		2,200	0	2,200	2,002	0	2,002	198	3,428
Total		**27,650**	**0**	**27,650**	**27,185**	**0**	**27,185**	**465**	**23,788**

Net Cash Requirement 2018-19

				2018-19	2017-18
	SoPS note	Estimate	Outturn	Net outturn compared with Estimate: Saving/(Excess)	Total outturn
		£'000	£'000	£'000	£'000
Net cash requirement	**3**	**25,980**	**25,690**	**290**	**22,570**

Administration costs 2018-19

		2018-19		2017-18
	Estimate	Outturn		Total outturn
	£'000	£'000		£'000
	25,450	**25,183**		**20,510**

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

All Estimate and Outturn balances disclosed under the Departmental Expenditure Limit relate to administration costs. All estimate and outturn balances disclosed under Annually Managed Expenditure are classified as programme costs and relate to transactions in respect of Provisions (see Note 12).

Notes to the Statement of Parliamentary Supply

SOPS 1. Net outturn

SOPS 1.1 Analysis of net resource outturn by section

	2018-19									2017-18
	Outturn							Estimate		Outturn
	Administration			Programme				Net total	Net total compared to Estimate:	Total
	Gross	Income	Net	Gross	Income	Net	Total			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Spending in department expenditure limit										
Voted: Giving the public confidence in the integrity of charities										
	26,846	(1,663)	25,183	0	0	0	25,183	25,450	267	20,510
	26,846	**(1,663)**	**25,183**	**0**	**0**	**0**	**25,183**	**25,450**	**267**	**20,510**
Annually managed expenditure										
Voted: Giving the public confidence in the integrity of charities										
	0	0	0	0	0	0	0	0	0	(150)
Total	**26,846**	**(1,663)**	**25,183**	**0**	**0**	**0**	**25,183**	**25,450**	**267**	**20,360**

SOPS 1.2 Analysis of net capital outturn by section

	2018-19					2017-18
	Outturn			Estimate		Outturn
	Gross	Income	Net	Net	Net total compared to estimate	Net
Spending in department expenditure limit Voted: Giving the public confidence in the integrity of charities	2,002	0	2,002	2,200	198	3,428
Total	**2,002**	**0**	**2,002**	**2,200**	**198**	**3,428**

Loss on disposals of £19k account for the difference in Net Outturn above and Outturn shown in Statement of Parliamentary Supply.

SOPS 2 Reconciliation of net resource outturn to net operating expenditure

	SoPS Note	**2018-19** £'000	**2017-18** £'000
Total resource outturn in Statement of Parliamentary supply	1.1	25,183	20,510
Utilisation of Provision		0	(70)
Movement in provision in year		0	(80)
Net operating expenditure in Statement of Comprehensive Net Expenditure		**25,183**	**20,360**

SoPS 3 Reconciliation of net resource outturn to net cash requirement

	SoPS Note	Estimate	Outturn	Net total outturn compared with Estimate: Saving/ (Excess)
		£'000	£'000	£'000
Resource Outturn	1.1	25,450	25,183	267
Capital Outturn	1.2	2,200	2002	198
Accruals to cash adjustments:				
Adjustments to remove non-cash items:				
Depreciation/Amortisations				
Revaluations		(1,600)	(1,600)	60
Loss on disposal of fixed asset		0	(13)	13
Auditors remuneration		0	(19)	19
Adjustments to reflect movements in working balances:		(70)	(61)	(9)
Increase/(decrease) in trade and other receivables		0	7	(7)
(Increase)/decrease in trade and other payables		0	232	(232)
Net cash requirement		**25,980**	**25,690**	**290**

Regularity of expenditure (audited)

There are no material losses and special payments for the year.
There are no material remote contingent liabilities for the year.
Fees and charges disclosure requirements under Managing Public Money are met in Note 2 to the Accounts. The column headed 'Other Government Funded projects' relates wholly to services for which costs are fully recovered.

Helen Stephenson
Chief Executive and Accounting Officer
27 June 2019

The certificate and report of the Comptroller and Auditor General to the House of Commons

Opinion on financial statements

I certify that I have audited the financial statements of the Charity Commission for the year ended 31 March 2019 under the Government Resources and Accounts Act 2000. The financial statements comprise: Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

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

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2019 and of the Department's net operating expenditure for the year then ended

and

- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2019 and shows that those totals have not been exceeded;

and

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

Basis of opinions

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

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Charity Commission's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

Responsibilities of the Accounting Officer for the financial statements

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Charity Commission's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation

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

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

Other information

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

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Gareth Davies **01 July 2019**
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road, Victoria, London SW1W 9SP

Part 6 Resource accounts

Contents

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2019

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

The notes on pages 67 to 78 form part of the financial statements.

	Note	**2018-19**	**2017-18**
		£'000	£'000
Operating income	5	(1,663)	(1,579)
Total operating income		**(1,663)**	**(1,579)**
Staff costs	4	17,032	14,647
Other administration costs	4	9,814	7,292
Total operating expenditure		**26,846**	**21,939**
Net operating expenditure		**25,183**	**20,360**

Statement of Financial Position

As at 31 March 2019

The Statement of Financial Position is a summary of all the Commission's assets and liabilities as at 31 March 2019.

The notes on pages 67 to 78 form part of the financial statements.

	Note	31 March 2019	31 March 2018
		£'000	£'000
Non-current assets:			
Property, plant and equipment	6	670	345
Intangible assets	7	6,191	6,188
Total non-current assets		**6,861**	**6,533**
Current assets:			
Trade, other receivables and prepayments	10	1,086	1,079
Cash and cash equivalents	9	290	1,290
Total current assets		**1,376**	**2,369**
Total assets		**8,237**	**8,902**
Current liabilities:			
Trade and other payables	11	(3,726)	(4,959)
Provisions	12	0	0
Total current liabilities		**(3,726)**	**(4,959)**
Total assets less liabilities		**4,511**	**3,943**
Taxpayers' equity:			
General fund		4,511	3,943
Total taxpayers' equity		**4,511**	**3,943**

Helen Stephenson
Chief Executive and Accounting Officer
27 June 2019

Statement of Cash Flows

For the year ended 31 March 2019

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 67 to 78 form part of the financial statements.

	Note	**2018-19** £'000	**2017-18** £'000
Cash flows from operating activities			
Total Net operating expenditure		**(25,183)**	**(20,360)**
Non-cash transactions	3	1,753	1,070
Movements in dilapidation provisions	3	0	(80)
(Decrease)/increase in trade and other receivables	10	(7)	89
(Decrease)/increase in trade and other payables	11	(232)	244
Use of provisions	12	0	(70)
Net cash outflow from operating activities		**(23,669)**	**(19,107)**
Cash flows from investing activities			
Purchase of plant, property and equipment	6	(485)	(142)
Purchase of intangible assets	7	(1,536)	(3,321)
Net cash outflow from investing activities		**(2,021)**	**(3,463)**
Cash flows from financing activities			
From Consolidated Fund (Supply) – current year		24,690	23,728
Net financing		**24,690**	**23,728**
Net (decrease)/increase in cash in the period		**(1,000)**	**1,158**
Cash and cash equivalents at the beginning of the period		**1,290**	**132**
Cash and cash equivalents at the end of the period		**290**	**1,290**

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2019

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

The notes on pages 67 to 78 form part of the financial statements.

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

Changes in taxpayers' equity for 2017-18		
		£'000
Balance as at 1 April 2017		1,676
Non-cash charges – auditors' remuneration	4	57
Net operating cost for the year		(20,360)
Total recognised income and expense for 2017-18		**(20,303)**
Net Parliamentary Funding – drawn down		23,728
Net Parliamentary Funding – deemed		132
Supply payable		(1,290)
Balance as at 31 March 2018		**3,943**
Balance as at 1 April 2017		**1,676**

Notes to the Departmental Resource Accounts

1. General Information

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

Our responsibilities are:

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

2. Statement of accounting policies

These financial statements, which cover the accounting period 1 April 2018 to 31 March 2019, have been prepared in accordance with the Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Commission for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Commission are described below. They have been applied consistently in dealing with items that are considered material to the financial statements.

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

IFRS 9 (Financial instruments). As the cash requirements of the Department are primarily met through the Estimates process, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts to buy in non-financial items in line with the Department's expected purchase and usage requirements and the Department is therefore exposed to little credit, liquidity or market risk. The requirements of IFRS 9: Financial Instruments have been considered; however, changes from IAS 39 are not considered to be applicable or material in the case of the Department, so no change has been made to the presentation or disclosures in the financial statements.

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

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

2.1 Accounting convention

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

2.2 Property, plant and equipment

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

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

2.3 Intangible assets

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

2.4 Depreciation and Amortisation

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

Information technology	2-7 years
Furniture and fittings	5-7 years
Leasehold improvements	Term of lease or initial break point
IT databases	2-5 years
Websites	5 years
Laptops	3 years

2.5 Impairments

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

2.6 Inventories

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

2.7 Operating income

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

- Fees for services which are charged as a fixed annual fee for the service provided in that year have been recognised in full for that financial year on the basis that when the year comes to an end the service has been fully provided

- Fees charges to recover costs incurred where it has been agreed that these costs will be charged to OGD's have been recognised in line with when those costs have been recognised by the Commission.

In practice there has been no change in recognition from the policy followed under IAS18.

2.8 Administration expenditure

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

2.9 Foreign currency

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

2.10 Pensions

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

2.11 Leases

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

2.12 Provisions

Where the Commission incurs a legal or constructive liability to make a payment, the amount and timing of which are uncertain at the Statement of Financial Position date, a provision is created on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by the Treasury (currently -2.7% for short-term provisions).

2.13 Value added tax

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

2.14 Contingent liabilities

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

2.15 Significant estimates and judgements

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

2.16 Capitalisation of intangible assets

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

2.17 Future Accounting Standards

IFRS 16 Leases is effective for periods beginning on or after 1 January 2019. The new standard will be implemented a year later from 1 April 2020 for government departments and reflected in the FReM from 2020-21. It is expected to have a material impact on the financial statements, which do currently contain significant lease liabilities.

3 Statement of Operating Costs by Operating Segment

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

	2018-19			2017-18		
	£'000			£'000		
	Charity Commission: core business	Other government funded projects	Total	Charity Commission: core business	Other government funded projects	Total
Gross Expenditure	25,183	1,663	26,846	20,360	1,579	21,939
Income	0	(1,663)	(1,663)	0	(1,579)	(1,579)
Net Expenditure	25,183	0	25,183	20,360	0	20,360

Total Assets	8,080	157	8,237	8,384	518	8,902
Total Liabilities	(3,674)	(52)	(3,726)	(4,959)	0	(4,959)
Net Assets	4,406	105	4,511	3,425	518	3,943

4 Expenditure

	Note	**2018-19** £'000	**2017-18** £'000
Staff Costs:			
Wages and salaries		12,571	10,624
Social security costs		1,280	1,100
Other pension costs		2,459	2,097
Agency staff		924	1,595
Severance costs		0	(20)
(Decrease)/Increase in IAS 19: employee benefits accrual		84	3
Total		**17,318**	**15,399**
Charged to Capital		(286)	(752)
Total net costs		**17,032**	**14,647**

Goods and services:			
Rentals under operating leases		889	804
Non-cash items:			
Depreciation	6	159	272
Amortisation	7	1,501	706
Revaluation/re-lifed assets	6 & 7	13	0
Loss on disposal of fixed asset	6 & 7	19	35
Auditors' remuneration		61	57
Total non-cash items:		**1,753**	**1,070**
Other expenditure:			
Travel, subsistence and staff related costs		1,362	1,235
Accommodation		367	219
Office services		129	218
Contracted services/consultancy		1,041	164
Information systems and telephony		3,734	3,378
Specialist services		538	284
Losses and special payments		1	0
Increase/decrease in provisions		0	0
Provisions written back in year		0	(80)
Total expenditure		**9,814**	**7,292**

The amount spent on consultancy during the year was £73,900 (2017-18 £37,000). The increase on 2017-18 is attributable to a small number of consultancy appointments to assist the Chief Executive Officer in developing a new five year strategy.

Further analysis on staff numbers, compensation scheme packages and pension disclosure can be found within the accountability report.

Auditors

This year's resource accounts have been audited by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General. No further services were provided by the NAO. The cost of audit work was £60,000 (2017-18: £56,000). In addition, a fee of £1,000 (2017-18: £1,000) was charged to the Commission in 2018-19 for the audit of the Official Custodian of Charities' 2018-19 Financial Statements.

5 Income

	2018-19 £'000	2017-18 £'000
Income received from other UK government departments:		
in respect of the International and Counter Terrorism Programmes	1,447	1,477
in respect of services rendered	66	102
income to support DCMS initiatives	150	0
Total income	**1,663**	**1,579**

6 Property, plant and equipment

	Information technology £'000	Furniture and fittings £'000	Leasehold improvements £'000	Total £'000
2018-19				
Cost or valuation				
At 1 April 2018	1,627	63	481	2,171
Additions	441	0	44	485
Disposals	0	0	0	0
At 31 March 2019	**2,068**	**63**	**525**	**2,656**
Depreciation				
At 1 April 2018	1,472	61	293	1,826
Charged in year	103	1	55	159
Disposals	0	0	0	0
At 31 March 2019	**1,575**	**62**	**348**	**1,985**
Net Book Value at 31 March 2018	**155**	**2**	**188**	**345**
Net Book Value at 31 March 2019	**493**	**1**	**177**	**671**
2017-18				
Cost or valuation				
At 1 April 2017	1,616	63	509	2,188
Additions	11	0	131	142
Disposals	0	0	(159)	(159)
At 31 March 2018	**1,627**	**63**	**481**	**2,171**
Depreciation				
At 1 April 2017	1,322	48	343	1,713
Charged in year	150	13	109	272
Disposals	0	0	(159)	(159)
At 31 March 2018	**1,472**	**61**	**293**	**1,826**
Net Book Value at 31 March 2017	**294**	**15**	**166**	**475**
Net Book Value at 31 March 2018	**155**	**2**	**188**	**345**

All assets are owned by the Commission. There are no assets held under finance leases (nil in 2017-18).

7 Intangible assets

	Databases and management systems £'000	Websites £'000	Licenses £'000	Assets under construction £'000	Total £'000
2018-19					
Cost or valuation					
At 1 April 2018	12,717	28	0	1,967	14,712
Additions	0	0	0	1,536	1,536
Transfers	3,490	0	0	(3,490)	0
Disposals	(594)	(28)	0	0	(622)
Impairment	0	0	0	(13)	(13)
At 31 March 2019	**15,613**	**0**	**0**	**0**	**15,613**
Amortisation					
At 1 April 2018	8,496	28	0	0	8,524
Charged in year	1,501	0	0	0	1,501
Disposals	(575)	(28)	0	0	(603)
Revaluation	0	0	0	0	0
At 31 March 2019	**9,422**	**0**	**0**	**0**	**9,422**
Net Book Value at 31 March 2018	**4,221**	**0**	**0**	**1,967**	**6,188**
Net Book Value at 31 March 2019	**6,191**	**0**	**0**	**0**	**6,191**
2017-18					
Cost or valuation					
At 1 April 2017	9,650	28	56	1,803	11,537
Additions	19	0	0	3,302	3,321
Transfers	3,318	0	0	(3,318)	0
Disposals	(90)	0	(56)	0	(146)
At 31 March 2018	**12,717**	**28**	**0**	**1,967**	**14,712**
Amortisation					
At 1 April 2017	7,885	22	22	0	7,929
Charged in year	689	6	11	0	706
Disposals	(78)	0	(33)	0	(111)
At 31 March 2018	**8,496**	**28**	**0**	**0**	**8,524**
Net Book Value at 31 March 2017	**1,765**	**6**	**34**	**1,803**	**3,608**
Net Book Value at 31 March 2018	**4,221**	**0**	**0**	**1,967**	**6,188**

All intangible assets are owned by the Commission. There are no intangible assets held under finance leases (nil in 2017-18). Assets under construction represent expenditure on IT developments.

8 Capital and other commitments

8.1 Capital commitments

As at 31 March 2019, the Commission had no capital commitments (nil as at 31 March 2018).

8.2 Operating leases

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

	2018-19 £'000	2017-18 £'000
Obligations under operating leases comprise: Buildings		
Not later than one year	828	934
Later than one year and not later than five years	2,093	2,344
Later than five years	1,415	1,924
	4,336	**5,202**

The Charity Commission holds leases on four sites where rent is calculated on floor area utilised and is payable on a quarterly basis.

9 Cash and cash equivalents

	2018-19 £'000	2017-18 £'000
Balance at 1 April	1,290	132
Net change in cash and cash equivalent balances	(1,000)	1,158
Balance at 31 March	**290**	**1,290**
The following balances at 31 March were held at:		
Government Banking Services	290	1,290
Balance at 31 March	**290**	**1,290**

The Commission holds no cash equivalents.

10 Trade, other receivables and prepayments

	2018-19 £'000	2017-18 £'000
Amounts falling due within one year: VAT		
VAT	305	257
Other receivables	50	118
Prepayments and accrued income	731	704
	1,086	**1,079**

11 Trade and other payables

	2018-19 £'000	2017-18 £'000
Amounts falling due within one year:		
Taxation and social security	362	298
Trade payables	877	597
Other payables	4	8
Staff exit costs	0	122
Accruals and deferred income	2,193	2,644
Amounts issued from the Consolidated Fund for Supply but not spent at year end*	290	1,290
	3,726	**4,959**

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

12 Provisions for liabilities and charges

	Property dilapidation £'000	Total 2018-19 £'000	Total 2017-18 £'000
Balance at 1 April	0	0	150
Provided in year	0	0	0
Provision utilised in year	0	0	(70)
Provision written back	0	0	(80)
Balance at 31 March	**0**	**0**	**0**

12.1 Legal

The Commission had no material legal commitments or liabilities as at 31 March 2019 (nil as at 31 March 2018).

13 Contingent liabilities

The Commission has no contingent liabilities judged to be probable or material at 31 March 2019 (nil as at 31 March 2018).

14 Related party transactions

During the year 2018-19, no Board Member, key manager or other related parties undertook any material transactions with the Commission except remuneration (Board and senior staff salaries are disclosed within the accountability report). As an entity, the Commission had a small number of transactions with other government departments and other central government bodies. These transactions were with the Foreign and Commonwealth Office, the Home Office, the Department for Work and Pension, the Office of National Statistics, the Office of Civil Society, the Government Internal Audit Agency, and the Charity Commission for Northern Ireland. All transactions were undertaken on arm's length terms.

15 Events after the reporting period date

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

Glossary (not audited)

Accruals

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

Amortisation

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

Annually Managed Expenditure (AME)

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

Capital expenditure

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

Consolidated Fund

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

Contingent liability

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

Corporate governance

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

Delegated Expenditure Limit (DEL)

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

Depreciation

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

Estimate/Supply Estimate

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

Excess Vote

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

Finance lease

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

Financial Instrument

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

Financial Reporting Manual (FreM)

The technical accounting guide to preparing the financial statements of Government Departments, written by HM Treasury.

General Fund

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

Impairment

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

International Financial Reporting Standards (IFRS)

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

Managing Public Money

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

Materiality

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

National Audit Office (NAO)

The external auditors of the Commission.

Net book value

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

Net Cash Requirement

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

Net current replacement cost

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

Net resource out-turn

The net total of income and expenditure of the Commission during the financial year.

Non cash transactions

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

Operating lease

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

Outturn

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

Prepayment

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

Provisions

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

Resource Expenditure

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

Supply

The resources voted to the Commission by Parliament.

Trade Payables and Receivables

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

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